



# The Real Estate ANALYST

APRIL  
1945

Roy Wenzlick  
Editor

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends...Constantly measuring and reporting the basic economic factors responsible for changes in trends and values.....Current Studies..... Surveys.....Forecasts

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REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

VOLUME XIV

## THE RECONVERSION PERIOD HAS BEGUN

THE crest of employment has been passed in practically every metropolitan city of the United States. On pages 108-111 in this report employment in manufacturing industries in 93 metropolitan areas is charted for the period from 1937 to the present. In only one of these areas is employment at its peak and this area, Scranton, Pennsylvania, has had practically no war activity of any sort. This is shown by the fact that in Scranton at the present time employment is only 16 percent above the 1937 level, while the median of all cities is 51 percent above. In one of the 93 cities, St. Paul, Minnesota, employment in manufacturing industries is now on a level with the peak. In St. Paul at the present time employment is running 51 percent above the 1937 level, which exactly parallels the national figure. In all other cities charted, employment at the present time is below the peak levels, which in most cities were reached in 1943 or 1944.

The largest percentage drop from the peak in any city is the drop in Oakland, California, where manufacturing employment on the last figures available is running 47 percent below the peak. In spite of this drop, however, manufacturing employment in Oakland is still 51.5 percent above the 1937 level. The table on page 107 lists the twenty-four cities which have had the largest percentage of drop from the peak in manufacturing employment, and also shows for each of these cities the present level of manufacturing employment as a percentage above the 1937 level. The second table on page 107 shows the present relationship of manufacturing employment to the 1937 level for all cities in which the present level is below the level of 1937.

It should be kept in mind that manufacturing employment is only one type of employment and that in many cities other types of employment have been much reduced of necessity, while manufacturing employment has gained. As manufacturing employment shrinks, other types of employment will again increase.

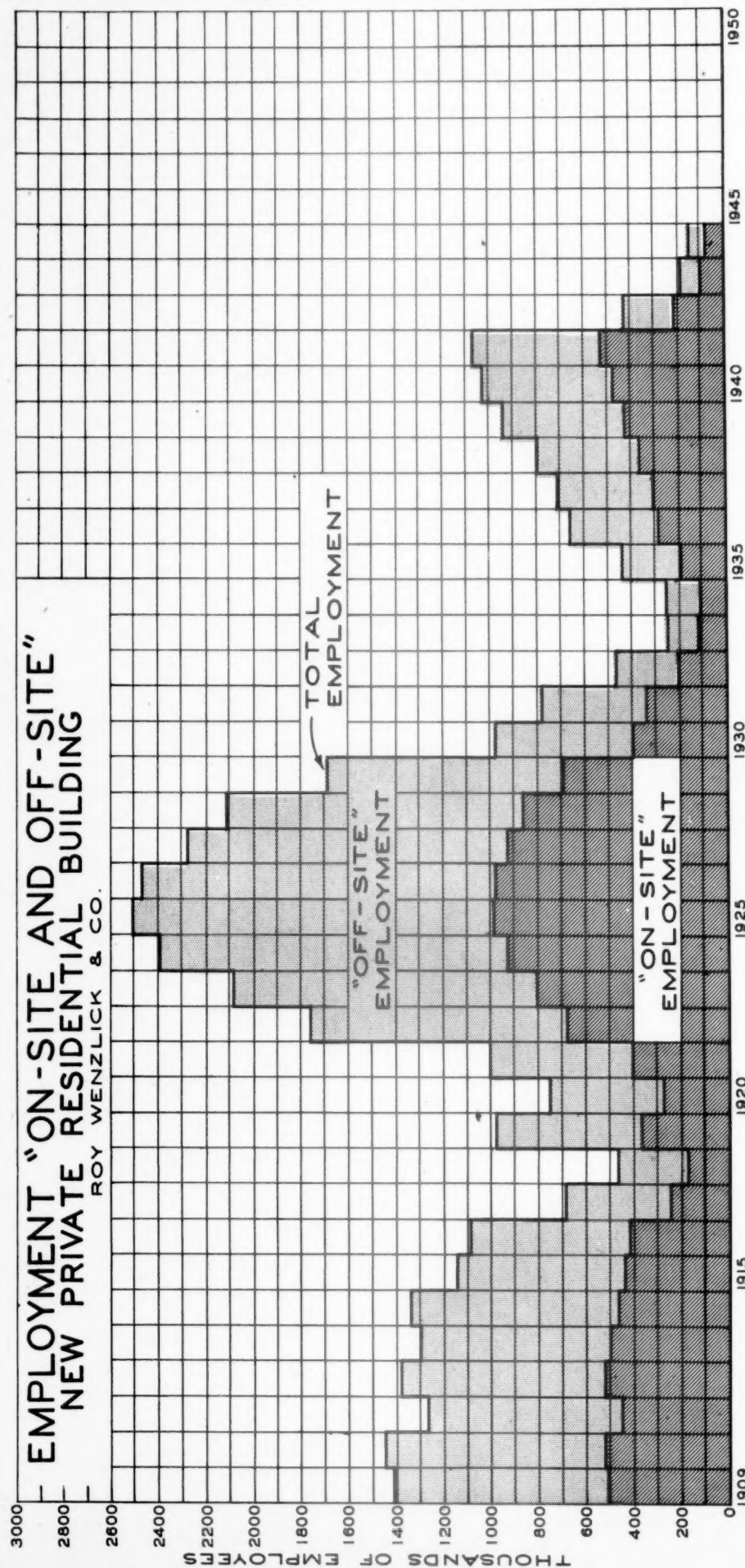
It is rather surprising that such a large percentage of cities is showing manufacturing employment at the present time below the 1937 levels. As a rule these are cities in which civilian goods were manufactured, the output of which is now seriously limited by the shortage of materials and men. Employment in these cities in the reconversion period should increase.

After the readjustment period is over, however, we believe that as a general rule the cities that have gained most rapidly during the war period will fare the best, as we think they will come through the period with a larger  
(cont. on top page 107)

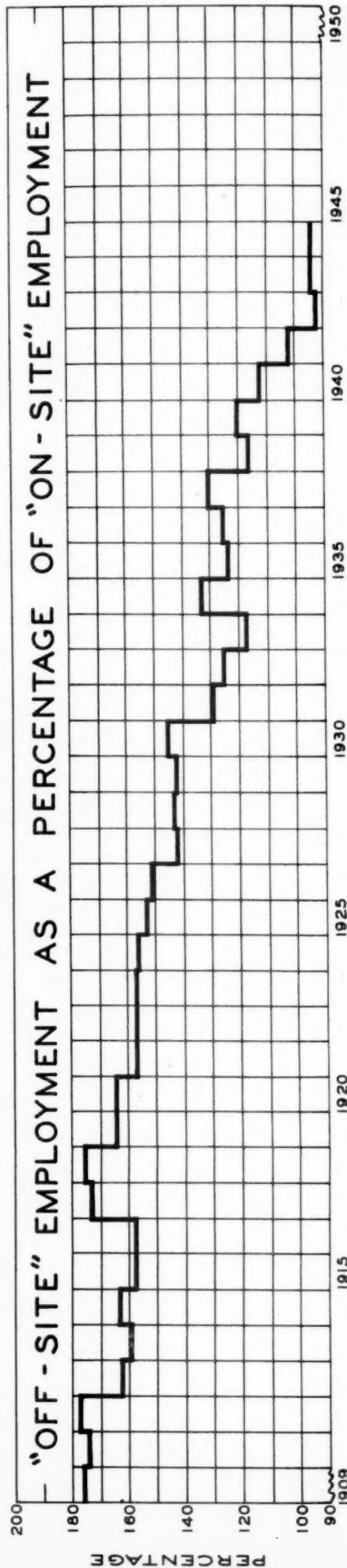
# EMPLOYMENT "ON-SITE AND OFF-SITE"

## NEW PRIVATE RESIDENTIAL BUILDING

ROY WENZLICK & CO.



# "OFF-SITE" EMPLOYMENT AS A PERCENTAGE OF "ON-SITE" EMPLOYMENT



## EMPLOYMENT IN PRIVATE RESIDENTIAL BUILDING

THE Division of Construction and Public Employment of the Bureau of Labor Statistics has published some interesting figures on estimated employment on new private residential building from 1915 through 1944. The most interesting part of these figures is that they include not only the number of persons employed "on the site" but also the employment "off-site." The "off-site" employment includes employment involved in extracting, processing, fabricating and transporting construction materials and the employment involved in the administration of these functions.

These figures would show that in 1925 there were 2,509,000 persons employed in new private residential building. Only 989,000 of these, however, were employed at the site on jobs which are ordinarily considered as construction jobs. 1,520,000 additional were employed in producing and transporting the material going into the house.

It is interesting to compare these peak figures with the figures for 1944. Last year only 152,000 people were employed in new private residential building and of these 78,000 were employed at the site and 74,000 in producing and transporting materials.

The charts on the page opposite point out rather strikingly two important facts.

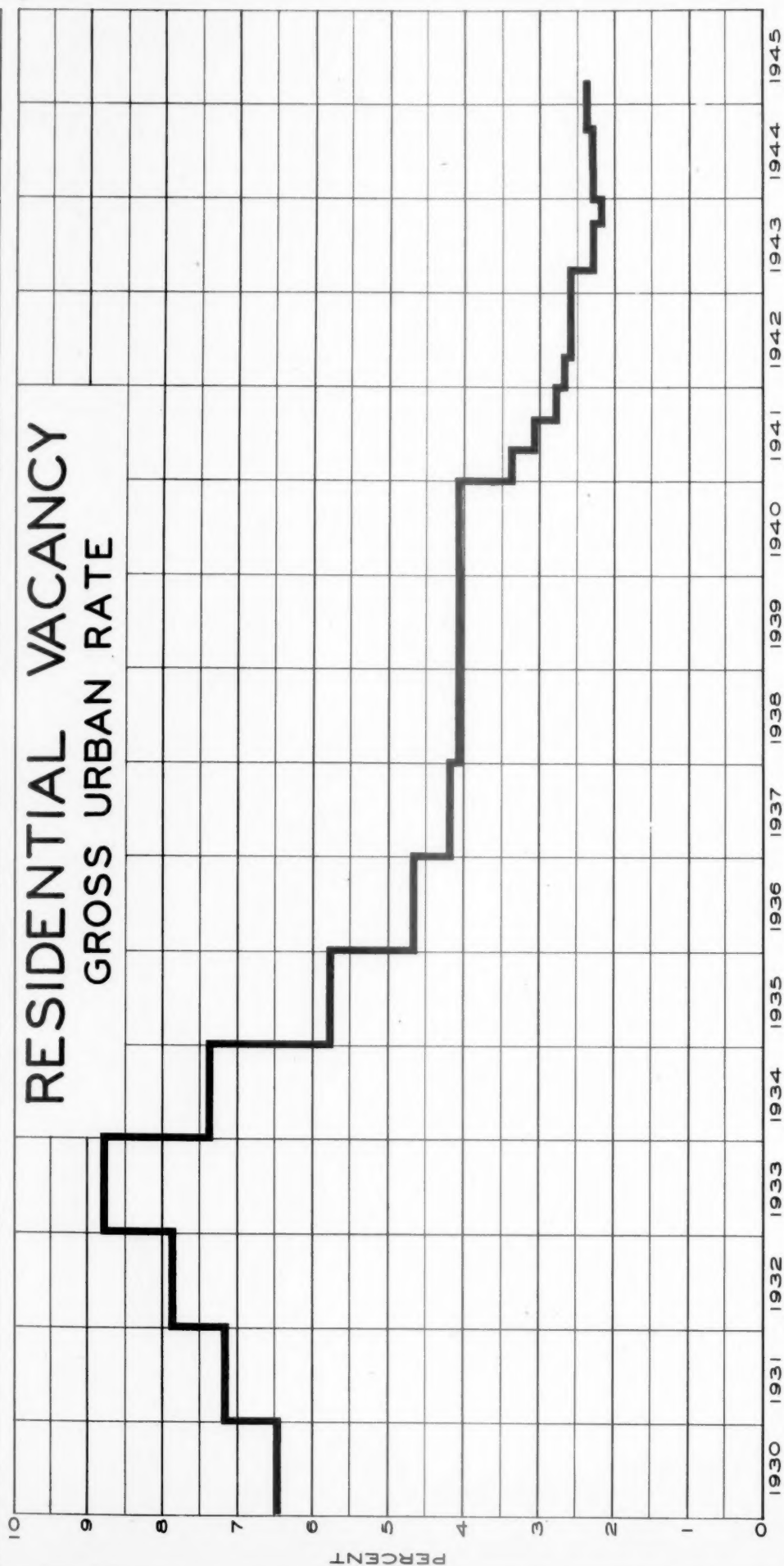
1. Employment in private residential building fluctuates more widely than any other type of employment. In 1925, 700,000 more construction site workers on new residences were employed than in 1920, but by 1933 and 1934 875,000 had been let go. The Bureau of Labor Statistics points out that "it is not unusual for this section of the construction industry to show between one year and the next employment fluctuations of 100,000 workers and at times 200,000. Curtailment between 1941 and 1942 reduced employment on residential building by more than 300,000 workers. It is especially significant that over the years 1929-1933 from the onset to the depths of the depression, total non-agricultural employment fell off only a fourth, whereas site employment on new private residential construction decreased by as much as five-sixths."

Our charts showing new construction from 1830 to the present time have indicated that this wide fluctuation between boom and depression years in the building industry has been persisting over the entire period and there can be no question of the fact that the wide extremes of this cycle contribute greatly toward the instability of general business and employment in the United States. Anything which could be done to spread construction volume more evenly would help to stabilize the general business cycle.

2. Below the main chart on the page opposite is shown a line computed from the relationships in the chart above. This line shows "off-site" employment as a percentage of "on-site" employment, and the significant factor is the downward trend of the line over the entire period. This would indicate that it takes fewer man hours to manufacture and transport the materials which go into a house in relationship to the number of hours which it takes to construct the house on the site than it formerly did. This may come as a shock to those who believe that prefabrication has already been done in sufficient quantities to reduce site employment, as apparently the limited amount of pre-

(cont. on bottom page 107)

## RESIDENTIAL VACANCY GROSS URBAN RATE



time group of cities.

Gross vacancy includes all vacant units regardless of the condition of repair or quality of housing. This figure also includes cities which have not shared in a great deal of war activity and where vacancy rates for that reason are relatively higher. In most war production cities vacancy is not over 1 percent at the present time, but this vacancy will undoubtedly increase as war production is cut back.

THE chart above shows gross urban vacancy in residential units from 1930 to the present time. It has been compiled by Roy Wenzlick & Co. from many sources and includes approximately 110 cities. It has been checked against the Federal Census study of all residential dwelling units which showed in April 1940 4.2 percent of housing accommodations vacant. In the fall of 1943 this gross vacancy rate had dropped to 2.3, but vacancy has increased very slightly and is now averaging 2.5 percent in the en-

(cont. from page 103)

permanent population than they would otherwise have. In some of these cities, however, the readjustment period will be quite severe and during this period in those cities rents and values will drop. Reconversion problems in the post-European war period will vary greatly in different cities.

PERCENTAGE DROP FROM PEAK MANUFACTURING EMPLOYMENT IN 24 CITIES HAVING LARGEST PERCENTAGE DROP, AND THE PERCENTAGE OF INCREASE OR DECREASE IN THESE CITIES IN COMPARISON WITH 1937

	% drop from peak	+ or - from 1937		% drop from peak	+ or - from 1937
Oakland	47	+ 51	Fort Worth	27	+234
Denver	44	+ 61	Dallas	27	+142
Salt Lake City	38	+ 55	Tampa	26	+108
San Diego	37	+331	Norfolk	25	+164
Spokane	30	- 20	Gary	25	- 6
Des Moines	29	+175	New Bedford	24	- 14
Grand Rapids	29	- 1	Los Angeles Area	23	+164
Fall River	28	- 19	Buffalo	22	+ 49
Tacoma	28	+104	Albany	21	+ 22
Somerville	28	- 19	Bridgeport	21	+ 51
Hartford	28	+ 32	Jersey City	20	- 3
Utica	27	+ 9	Jacksonville	20	+158

PERCENTAGE DECREASE IN MANUFACTURING EMPLOYMENT  
IN COMPARISON WITH THE LEVELS OF 1937

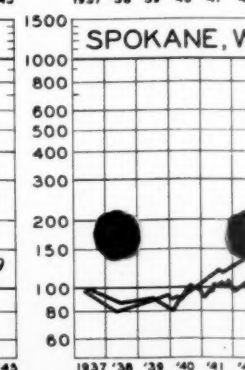
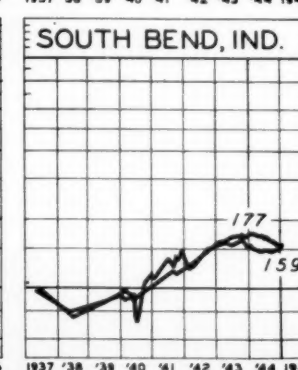
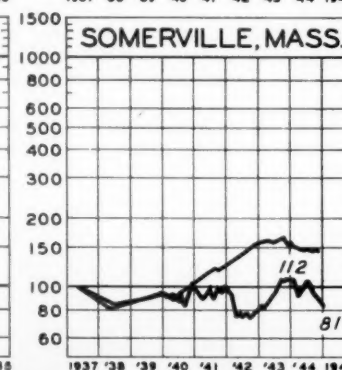
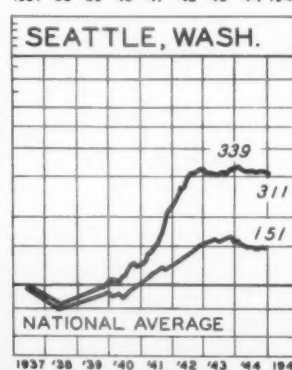
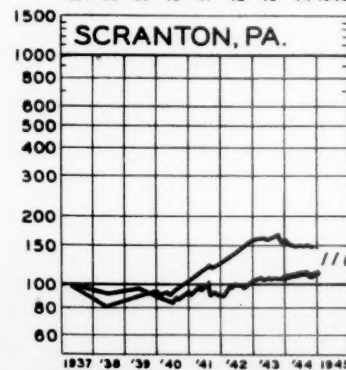
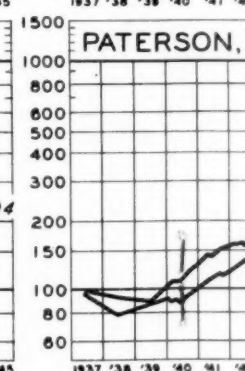
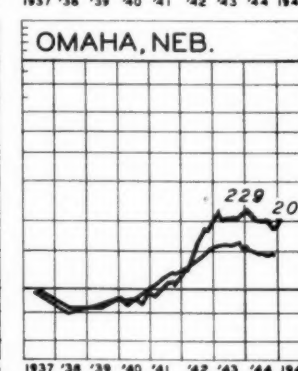
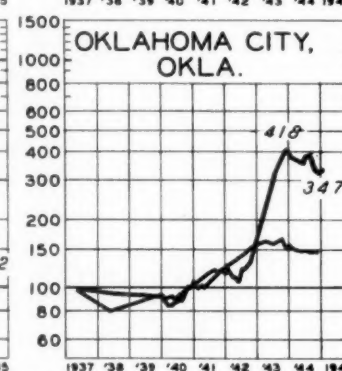
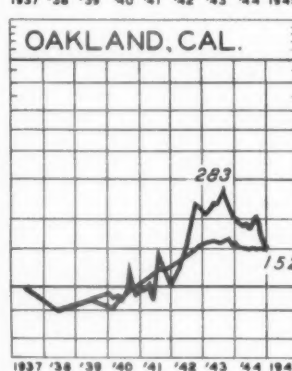
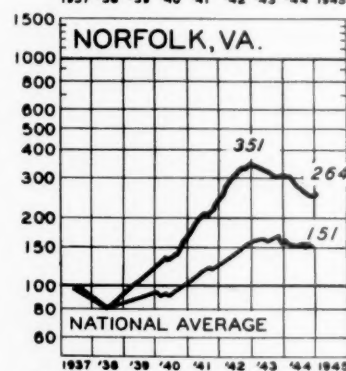
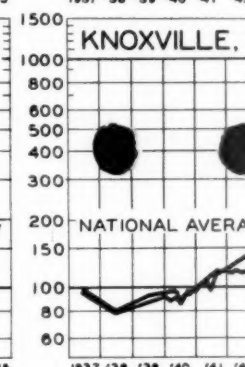
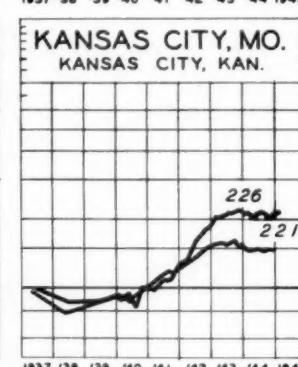
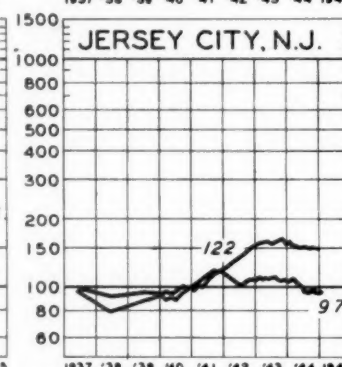
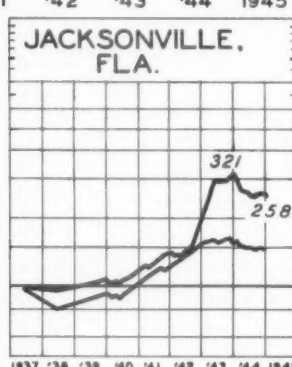
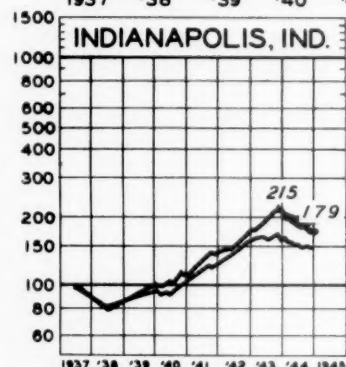
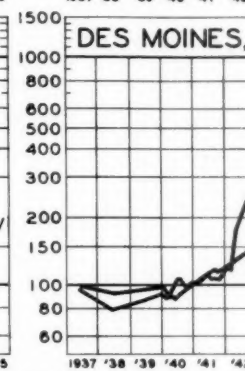
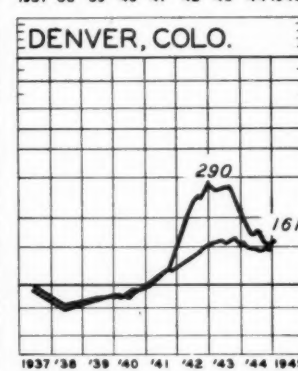
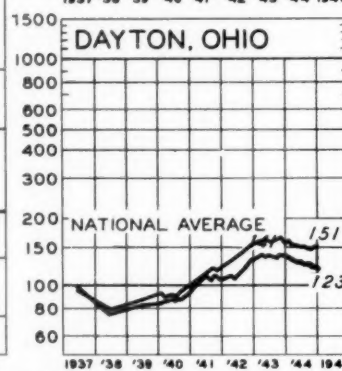
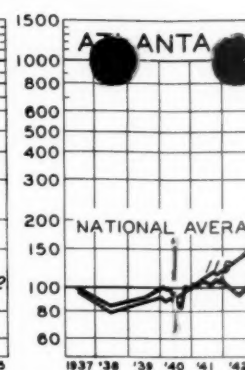
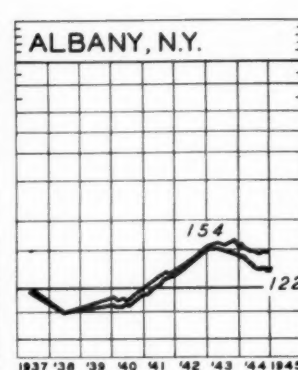
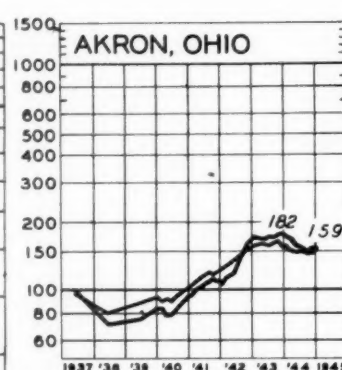
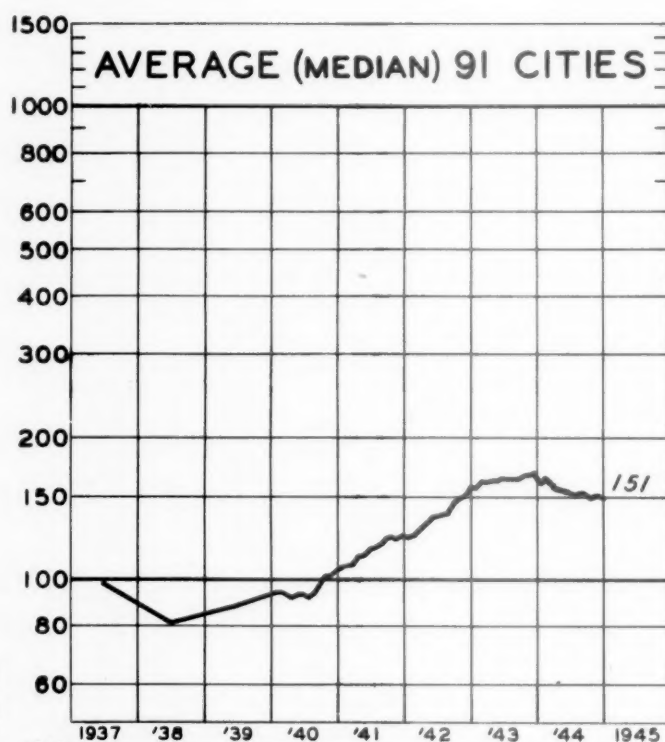
Reading .....	36
Spokane .....	20
Fall River ....	19
Somerville ....	19
New Bedford ...	14
Lowell .....	8
Gary .....	6
Atlanta .....	3
El Paso .....	3
Jersey City ...	3
Grand Rapids ..	1
Yonkers .....	1
Youngstown ....	1

(cont. from page 105)

fabricated building which has been done so far has not affected the figures in this way at all.

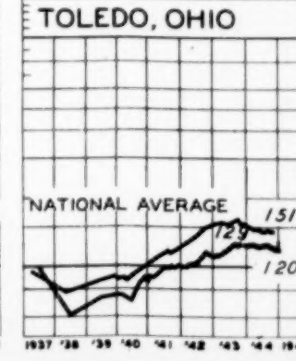
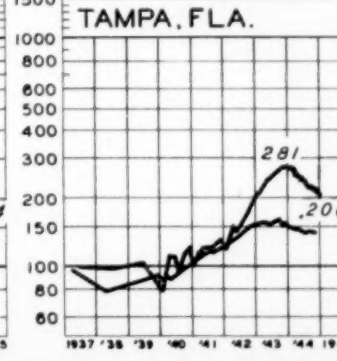
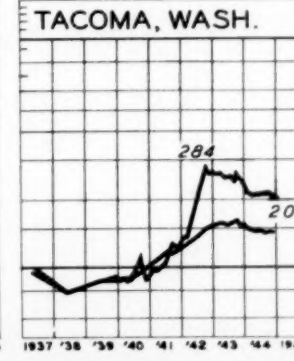
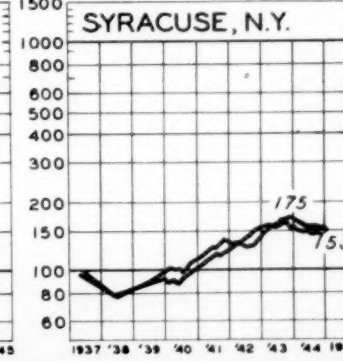
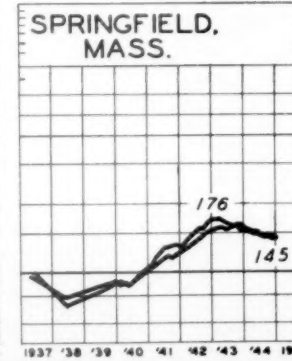
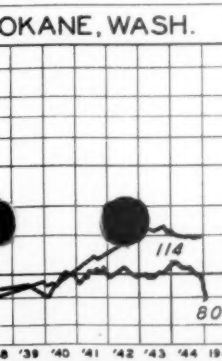
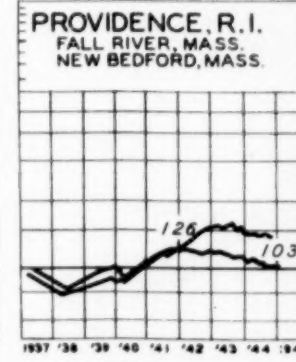
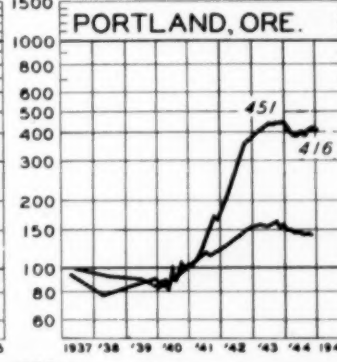
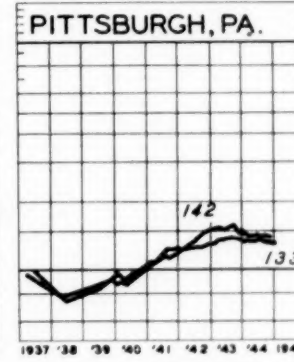
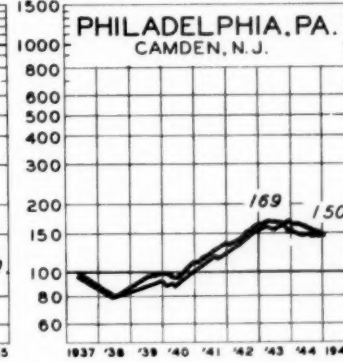
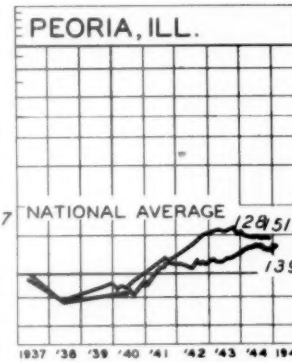
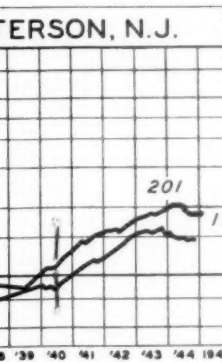
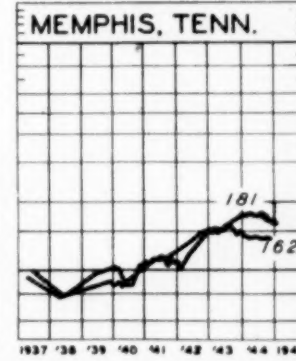
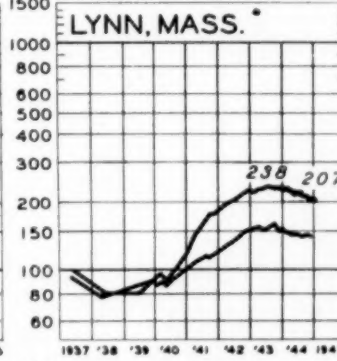
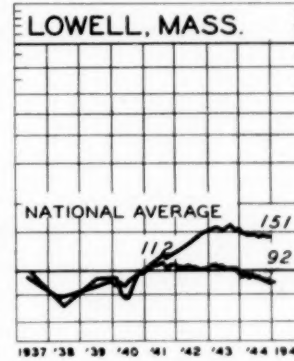
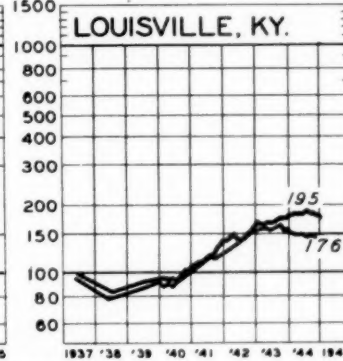
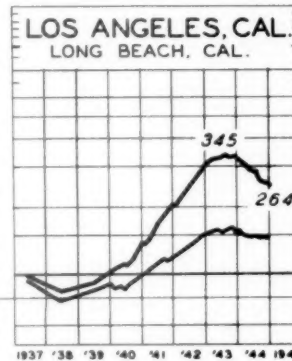
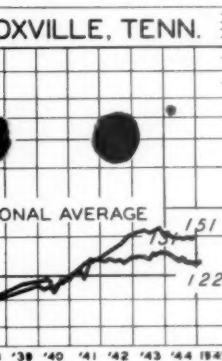
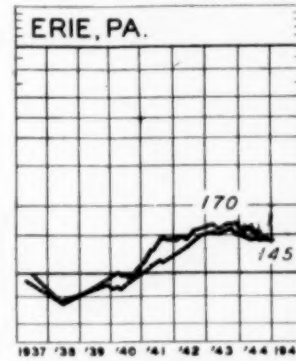
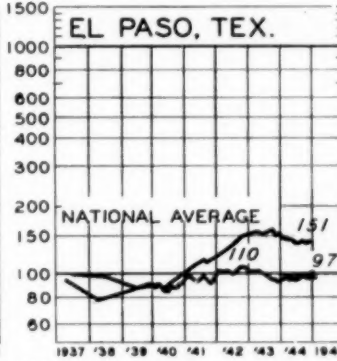
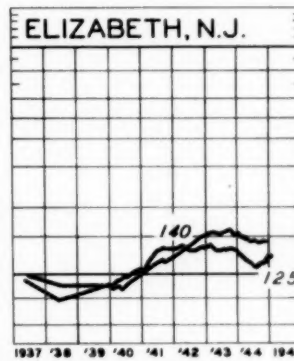
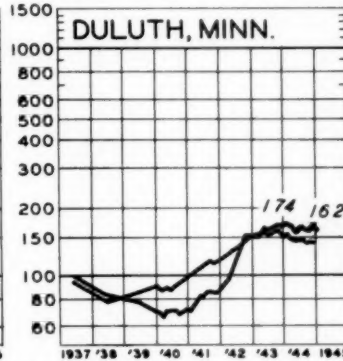
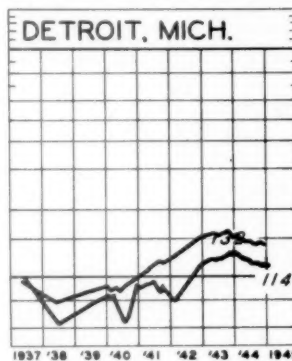
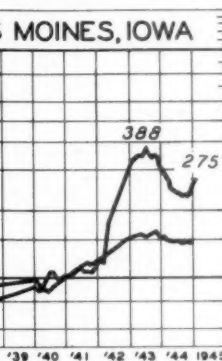
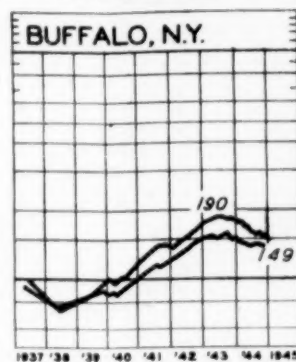
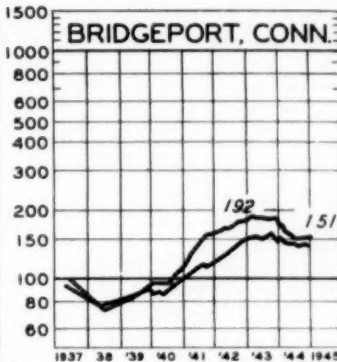
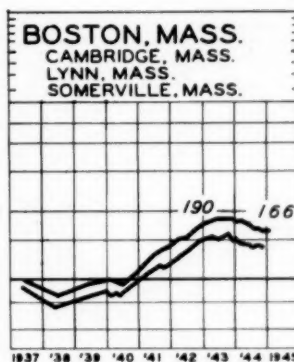
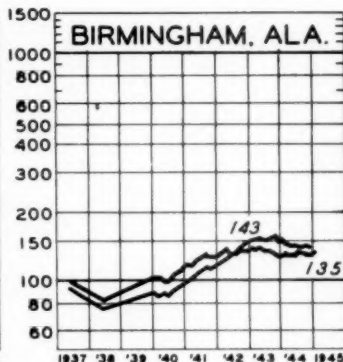
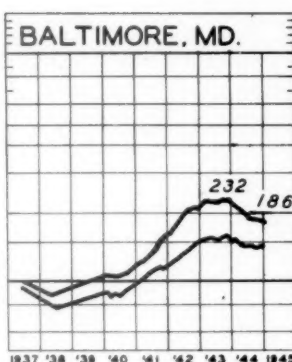
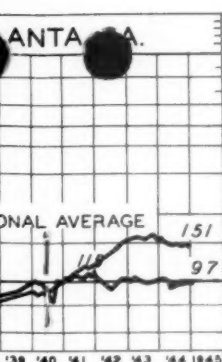
These figures probably indicate that greater efficiency has been achieved in the production and transportation of the materials which go into a building without a corresponding increase in efficiency at the site of construction. There is probably a great deal which can be done in the future in reducing building costs by using better methods of assembling the materials into the finished building. This will involve in many cases the use of new and improved materials, better methods of site fabrication, better management and less restriction from obsolete building codes and union "featherbedding."

INDEX 1937 = 100



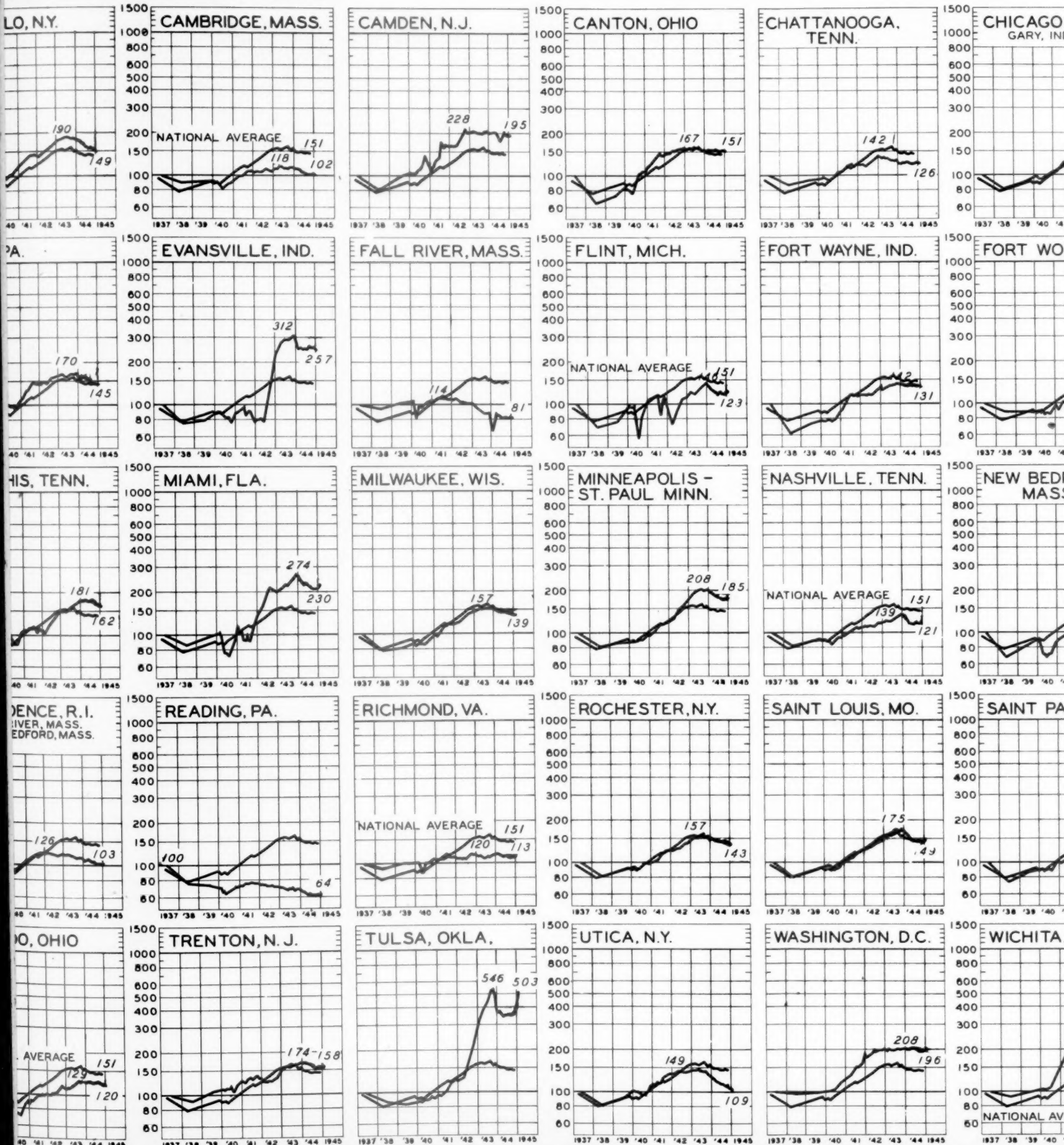
# FLUCTUATIONS OF EMPLOYMENT IN MANUFACTURING

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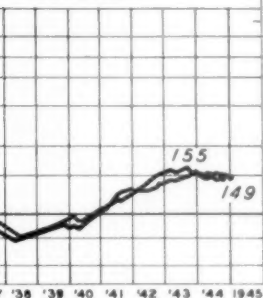
# URING INDUSTRIES IN 93 METROPOLITAN AREA

NZLICK & CO. - 1945.

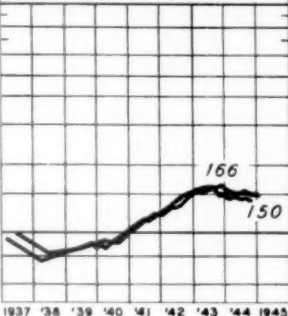


# AREAS

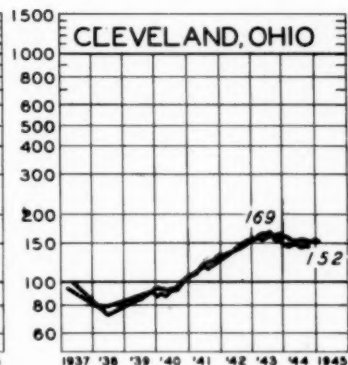
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GARY, IND.



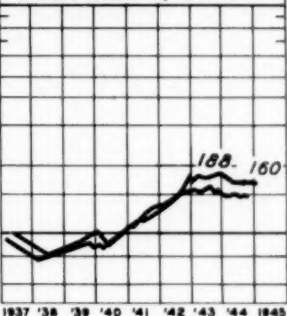
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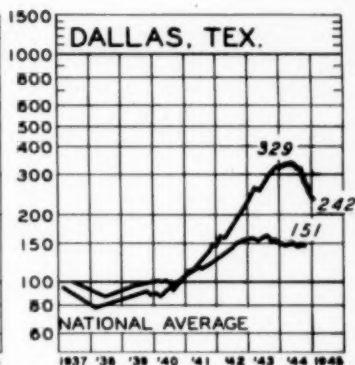
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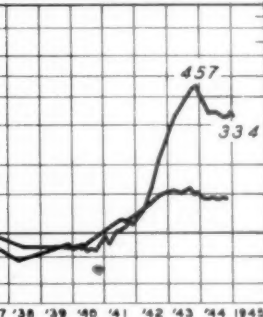
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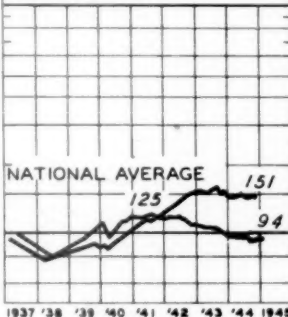
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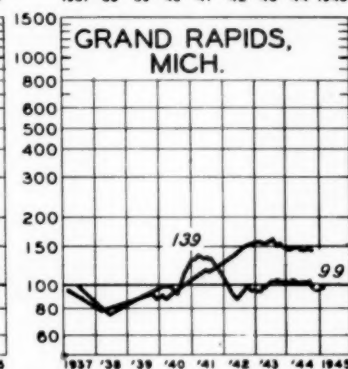
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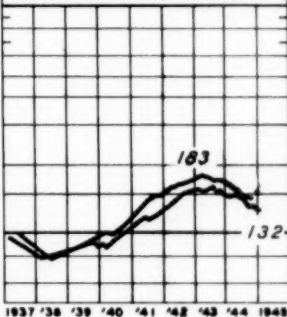
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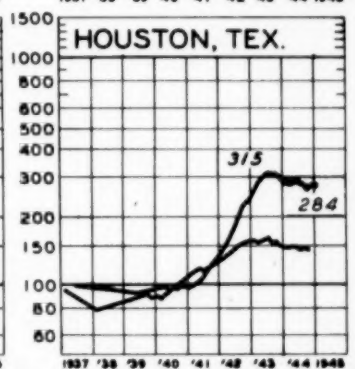
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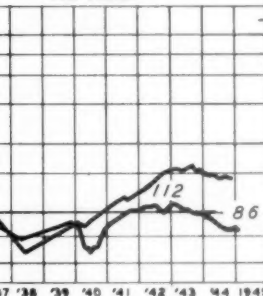
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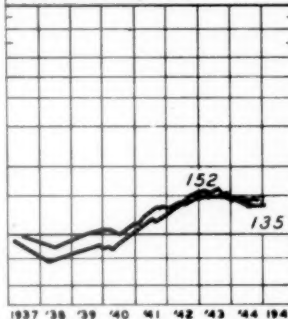
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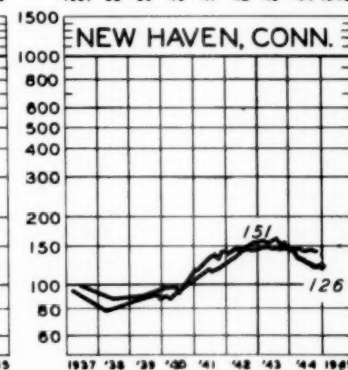
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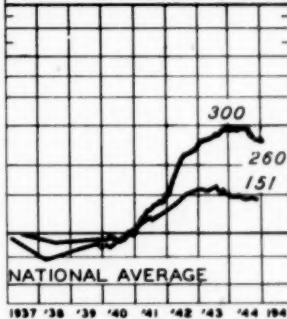
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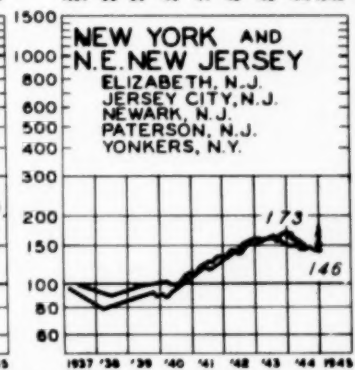
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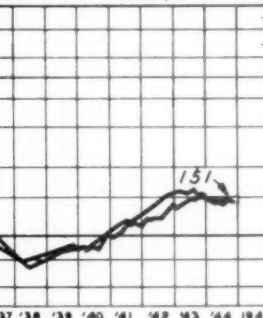
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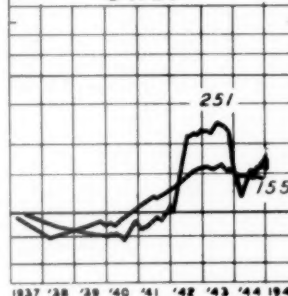
NEW YORK AND  
N.E. NEW JERSEY  
ELIZABETH, N.J.  
JERSEY CITY, N.J.  
NEWARK, N.J.  
PATERTON, N.J.  
YONKERS, N.Y.



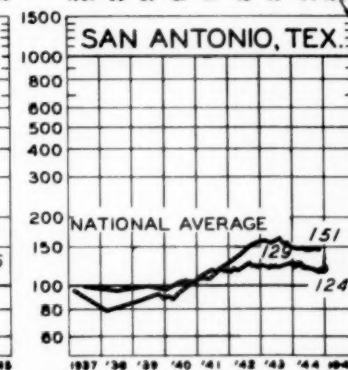
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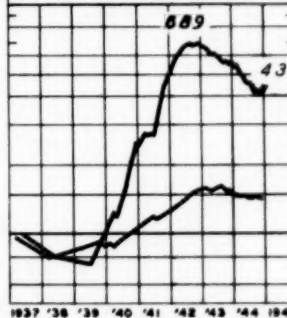
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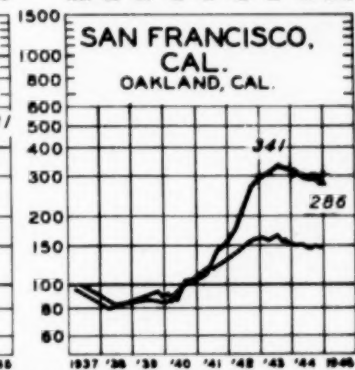
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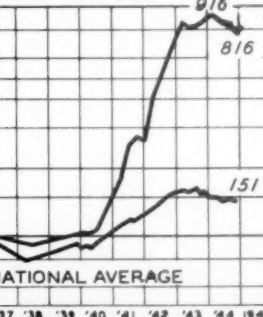
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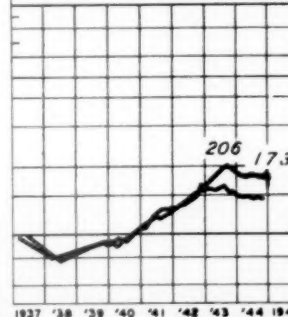
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OAKLAND, CAL.



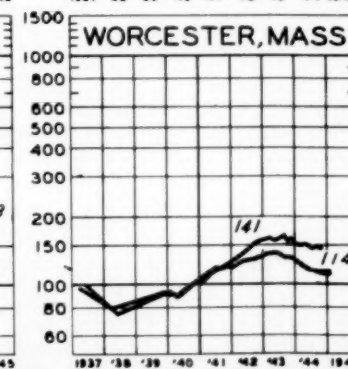
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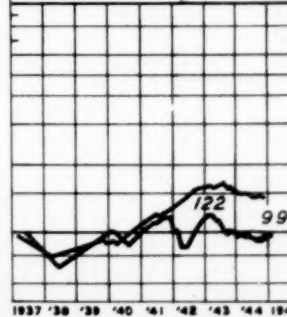
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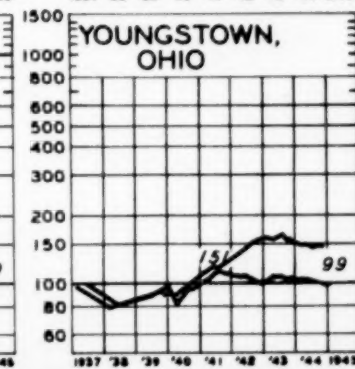
WORCESTER, MASS.



YONKERS, N.Y.



YOUNGSTOWN, OHIO

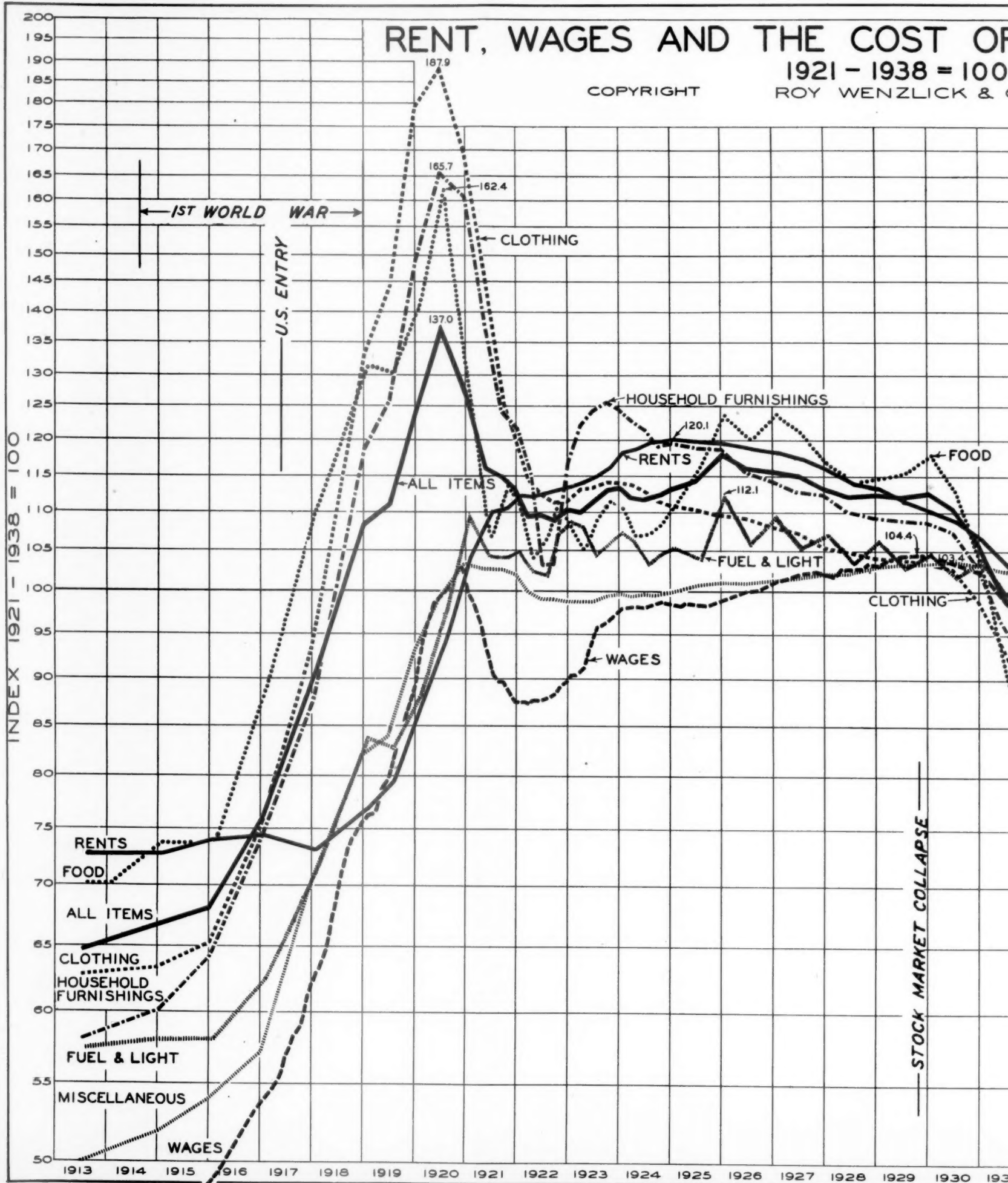


# RENT, WAGES AND THE COST OF

1921 - 1938 = 100

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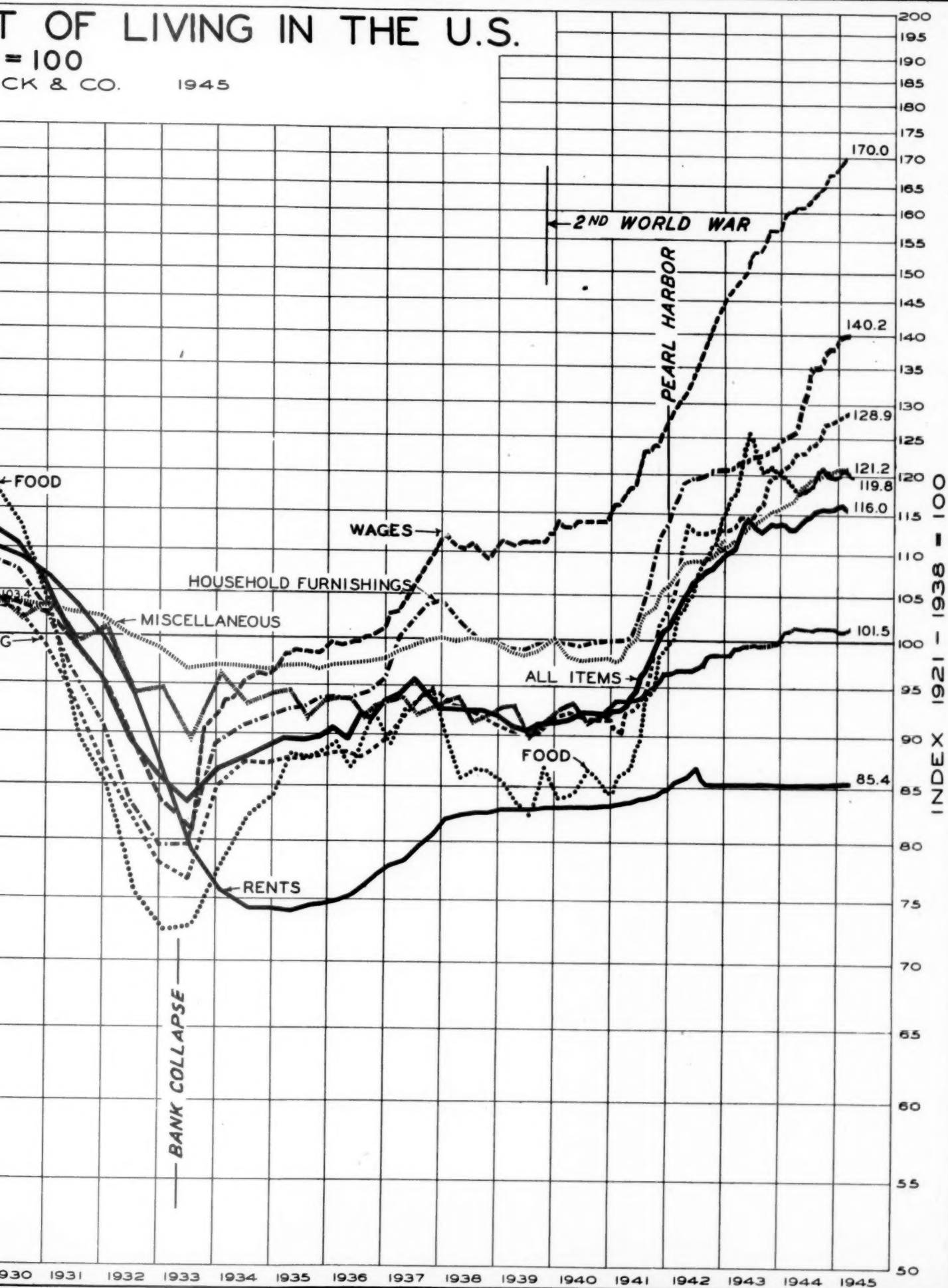


# INDEX OF LIVING IN THE U.S.

= 100

CK & CO.

1945



RENT. WAGES AND THE COST OF LIVING IN THE UNITED STATES

Date	All Items	Food	Clothing	Rent	Fuel, Ice, & Elec.	Housefurnishings	Misc.	Wages
1913 Year	64.8	70.1	62.4	72.6	57.1	57.7	50.0	45.9
1914 Dec. 15	66.5	73.5	63.0	72.6	57.7	60.1	51.5	46.3
1915 Dec. "	67.8	73.5	65.2	73.8	57.7	63.9	53.7	48.6
1916 Dec. "	75.5	88.3	74.9	74.3	62.0	73.7	56.7	54.1
1917 Dec. "	89.5	110.1	93.0	72.7	70.9	86.9	70.3	62.4
1918 Dec. "	108.1	131.2	133.0	76.5	83.5	118.3	81.7	77.1
1919 June "	110.9	130.3	144.1	79.5	82.5	125.8	84.0	80.8
1919 Dec. "	124.0	140.5	178.8	86.5	87.5	148.9	92.7	91.3
1920 Dec. "	137.0	162.4	187.9	93.8	96.7	165.7	99.0	99.6
1920 Dec. "	126.9	128.6	169.0	103.6	109.9	160.5	102.9	99.8
1921 May "	116.0	106.3	145.4	109.8	104.1	138.2	102.3	91.7
1921 Sept. "	114.9	113.5	125.5	110.3	104.0	124.8	102.3	88.7
1921 Dec. "	113.2	110.8	120.2	112.1	105.0	121.5	101.8	87.0
1922 Mar. "	109.3	104.0	114.7	111.8	102.0	114.8	100.0	87.1
1922 June "	109.5	106.2	112.3	112.5	101.6	102.9	99.1	87.4
1922 Sept. "	108.8	111.1	111.2	112.5	106.9	103.0	99.0	88.7
1922 Dec. "	110.3	107.5	111.3	113.2	108.3	116.6	98.8	90.3
1923 Mar. "	110.1	105.0	113.0	113.8	107.6	121.8	98.8	91.5
1923 June "	111.3	108.6	115.2	115.0	104.6	124.4	98.8	95.6
1923 Sept. "	112.9	111.1	114.0	116.0	105.6	125.5	99.5	97.2
1923 Dec. "	113.2	110.6	114.0	117.8	107.1	124.4	99.8	97.6
1924 Mar. "	111.8	106.6	113.7	118.5	105.9	122.5	99.5	98.0
1924 June "	111.6	106.8	112.7	119.7	103.5	121.2	99.6	97.4
1924 Sept. "	111.3	108.0	111.3	119.9	104.8	119.2	99.6	98.3
1924 Dec. "	113.0	110.5	110.8	120.1	105.4	119.8	100.0	98.0
1925 June "	114.4	115.8	110.3	119.9	103.9	118.6	100.6	98.3
1925 Dec. "	117.8	123.3	109.6	119.7	112.1	118.4	100.9	99.0
1926 June "	115.9	120.0	108.7	118.6	105.9	115.8	100.8	99.8
1926 Dec. "	115.6	123.4	107.6	118.1	109.4	114.7	101.1	101.1
1927 June "	115.2	120.8	106.7	117.0	105.3	112.9	101.4	101.6
1927 Dec. "	113.2	116.2	105.2	115.7	106.7	112.5	101.8	101.6
1928 June "	112.0	113.8	105.0	114.0	103.3	110.1	101.8	102.2
1928 Dec. "	112.3	114.6	104.3	112.9	105.7	109.4	102.7	102.7
1929 June "	112.0	115.3	103.9	111.3	102.7	109.0	102.9	103.7
1929 Dec. "	112.6	117.3	103.2	110.1	104.8	108.8	103.1	104.2
1930 June "	110.3	112.4	102.3	108.7	101.5	107.2	103.4	103.6
1930 Dec. "	105.8	102.2	98.5	106.3	103.8	103.0	103.1	101.7
1931 June "	99.2	89.6	93.2	103.0	99.2	95.8	102.6	99.6
1931 Dec. "	95.5	84.7	86.7	99.0	100.9	90.5	101.8	95.0
1932 June "	89.2	75.3	82.0	92.8	93.8	82.8	100.1	87.8
1932 Dec. "	85.7	72.0	77.5	85.8	94.6	79.4	98.5	83.1
1933 June "	83.2	72.2	76.3	78.9	89.7	79.6	96.2	80.7
1933 Dec. "	86.1	77.3	85.0	75.5	95.9	89.0	96.5	91.5
1934 June "	87.3	81.7	87.0	74.0	92.6	90.7	96.3	95.2
1934 Nov. "	86.2	83.7	86.9	74.0	94.0	91.4	96.2	95.7
1935 Mar. "	89.6	87.5	87.1	73.9	94.3	92.0	96.5	97.8
1935 July "	89.4	87.2	87.0	74.1	91.4	92.3	96.6	98.4
1935 Oct. "	88.8	87.7	87.2	74.5	92.8	93.5	96.3	98.1
1936 Jan. "	90.6	89.0	87.6	74.9	93.0	93.6	96.5	99.4
1936 Apr. "	89.6	86.3	87.7	75.2	93.0	93.5	96.7	99.1

Date	All Items	Food	Clothing	Rent	Fuel, Ice, & Elec.	Housefurnishings	Misc.	Wages
1936 July 15	92.0	90.0	87.5	76.0	91.5	93.7	97.0	100.1
1936 Sept. "	91.5	92.0	87.8	76.5	92.3	94.4	97.3	99.9
1936 Dec. "	93.3	89.1	89.2	77.3	92.8	95.6	97.4	102.5
1937 Mar. "	94.1	92.1	90.8	77.9	93.0	100.2	98.5	103.7
1937 June "	95.6	93.0	92.3	79.5	91.6	102.0	99.2	108.8
1937 Sept. "	94.4	94.6	94.6	80.5	92.3	104.1	100.0	110.7
1937 Dec. "	92.5	90.0	94.3	81.6	92.9	104.4	100.3	111.9
1938 Mar. "	92.5	85.5	92.6	81.8	93.5	102.2	99.9	110.3
1938 June "	92.5	86.2	92.0	82.1	91.0	100.8	100.1	110.8
1938 Sept. "	92.3	86.1	91.5	82.1	91.6	99.5	99.9	109.2
1938 Dec. "	91.8	85.3	90.8	82.2	92.3	99.5	99.4	111.1
1939 Mar. "	90.8	83.0	90.4	82.2	92.4	98.5	98.8	110.7
1939 June "	90.4	82.0	90.3	82.2	90.0	98.3	98.7	111.2
1939 Sept. "	92.1	86.3	90.3	82.3	91.0	98.7	99.5	111.0
1939 Dec. "	91.3	83.2	91.2	82.3	92.2	100.2	99.3	114.0
1940 Mar. "	91.5	83.9	91.8	82.4	92.8	98.1	99.2	113.0
1940 June "	92.1	86.2	91.5	82.4	91.0	97.8	98.9	114.0
1940 Sept. "	92.0	85.3	91.4	82.5	91.6	98.0	99.8	114.0
1940 Dec. "	92.2	85.3	91.4	82.6	93.0	98.1	100.1	116.0
1941 Mar. "	92.7	86.3	91.9	82.8	93.0	99.1	100.2	118.0
1941 June "	95.9	92.9	93.0	83.4	93.6	103.0	101.8	123.0
1941 Sept. "	99.0	97.2	99.5	84.1	95.6	109.6	103.2	124.0
1941 Dec. "	101.3	99.3	103.1	85.2	96.2	114.1	105.9	129.0
1942 Jan. "	102.7	102.0	104.4	85.4	96.4	115.7	106.7	131.0
1942 Feb. "	103.5	104.0	107.0	85.5	96.4	116.9	107.7	131.0
1942 Mar. "	104.8	104.0	111.1	85.7	96.5	118.6	108.3	132.0
1942 Apr. "	105.5	104.9	113.8	86.0	96.4	119.0	108.8	133.0
1942 May "	106.3	106.7	113.6	86.5	96.8	119.5	109.0	135.0
1942 June "	107.1	108.2	112.8	85.5	96.9	119.6	109.0	136.0
1942 July "	107.1	109.2	112.8	85.1	98.1	120.0	109.2	138.0
1942 Aug. "	107.7	110.8	112.7	85.1	98.1	120.1	109.2	140.0
1942 Sept. "	107.9	111.0	113.0	85.1	98.1	120.8	109.6	142.0
1942 Oct. "	109.1	113.8	113.1	85.1	98.1	120.8	109.9	143.0
1942 Nov. "	109.8	115.1	113.1	85.1	98.1	120.9	110.9	145.0
1942 Dec. "	110.4	116.3	113.1	85.1	98.1	120.9	111.0	146.0
1943 Jan. "	110.4	116.8	113.2	85.1	99.1	120.9	111.4	147.0
1943 Feb. "	110.9	117.1	113.5	85.1	99.1	121.2	111.8	148.0
1943 Mar. "	112.3	120.7	114.7	85.1	99.2	121.8	112.9	149.0
1943 Apr. "	113.9	123.2	114.8	85.1	99.2	121.8	112.9	150.0
1943 May "	114.8	125.5	114.8	85.1	99.3	122.2	113.5	152.0
1943 June "	114.2	124.3	114.8	85.1	99.4	122.6	113.8	153.0
1943 July "	113.4	121.9	116.0	85.1	99.3	122.7	114.2	153.0
1943 Aug. "	113.1	120.3	116.3	85.1	99.4	122.9	114.7	154.0
1943 Sept. "	113.6	120.6	119.2	85.1	99.4	123.3	115.1	157.0
1943 Oct. "	114.1	121.2	120.0	85.1	99.6	123.8	115.6	157.0
1943 Nov. "	113.9	120.5	120.1	85.1	99.7	124.0	115.7	157.0
1943 Dec. "	114.1	120.3	121.0	85.1	101.0	125.0	116.1	159.0
1944 Jan. "	113.9	119.4	121.2	85.1	101.1	125.4	116.4	160.0
1944 Feb. "	113.4	118.0	121.7	85.1	101.9	125.7	116.7	160.0
1944 Mar. "	113.4	117.7	123.0	85.1	101.5	126.1	117.1	161.0
1944 Apr. "	114.1	118.0	123.1	85.1	101.5	130.0	118.6	161.0
1944 May "	114.7	118.8	123.2	85.1	101.4	131.5	119.0	163.0
1944 June "	115.0	118.9	124.2	85.1	101.2	135.3	119.6	164.0
1944 July "	115.6	120.6	124.3	85.1	101.4	135.3	119.7	165.0
1944 Aug. "	115.8	120.8	125.2	85.1	101.4	135.4	119.9	165.0
1944 Sept. "	116.0	120.3	127.2	85.2	101.4	137.5	120.4	167.0
1944 Oct. "	115.9	119.7	127.4	85.2	101.4	138.1	120.7	167.0
1944 Nov. "	116.0	119.7	127.6	85.2	101.4	138.2	120.7	168.0
1944 Dec. "	116.4	120.5	128.1	85.4	101.0	139.8	121.1	169.0
1945 Jan. "	116.5	120.5	128.5	85.4	101.1	140.1	121.1	170.0
1945 Feb. "	116.0	119.8	128.0	85.4	101.5	140.2	121.2	

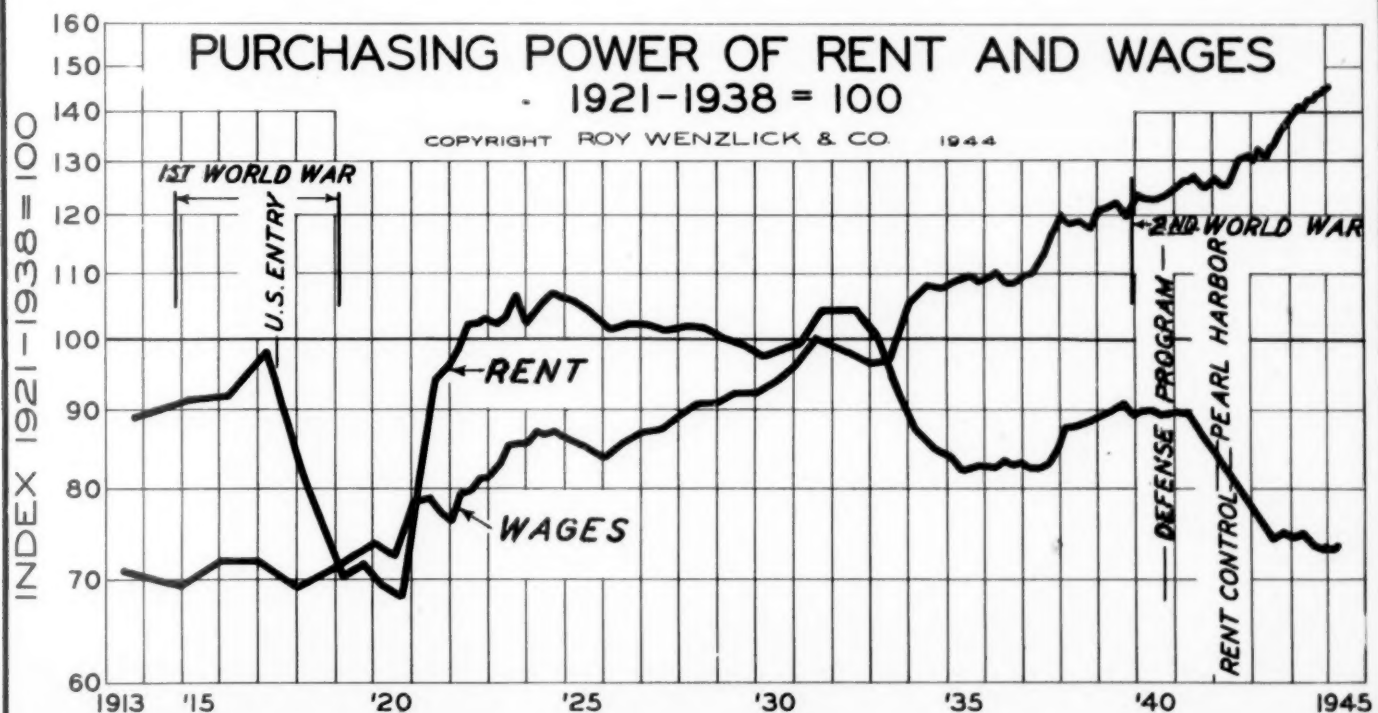
## SHOULD RENT CEILINGS BE RAISED ?

THE chart and the table to the left appeared in the July 1944 Real Estate Analyst, but subscribers have requested that they be brought up to date. The underlying figures for these charts and table are from the Bureau of Labor Statistics. These figures have been converted to a base period of eighteen years, the period 1921 to 1938 equalling 100. This base is used because real estate follows a long cycle and the good years and the bad years are represented in about equal proportions in this period.

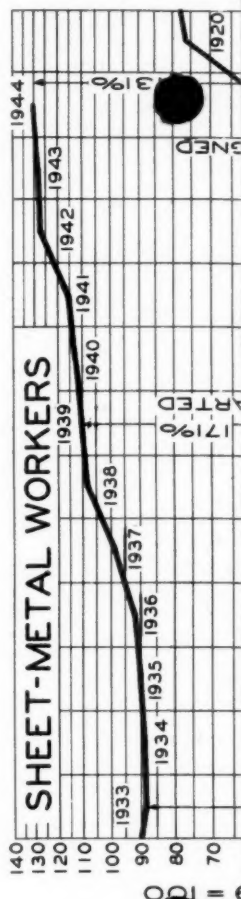
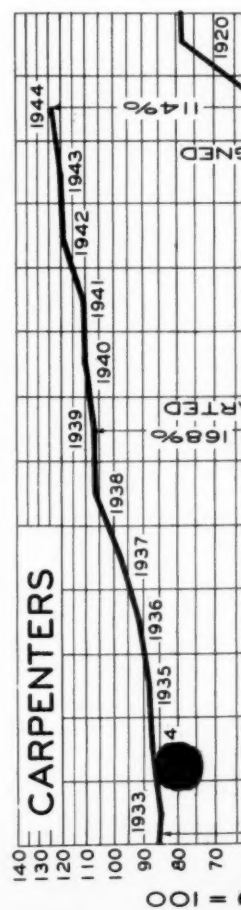
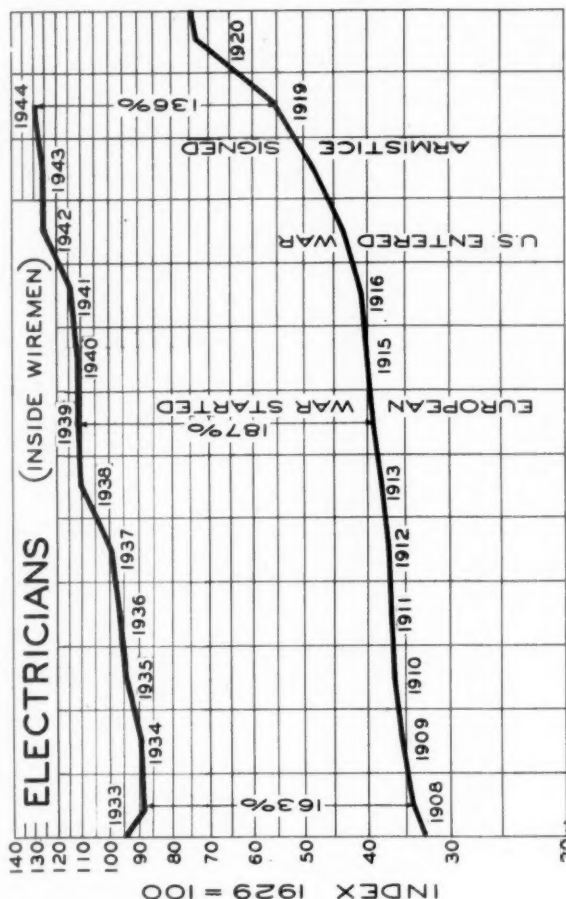
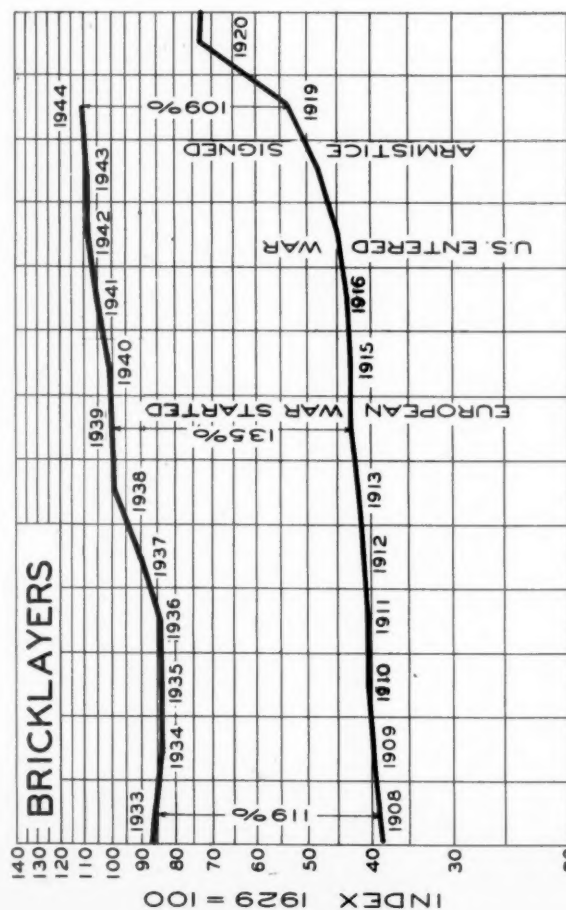
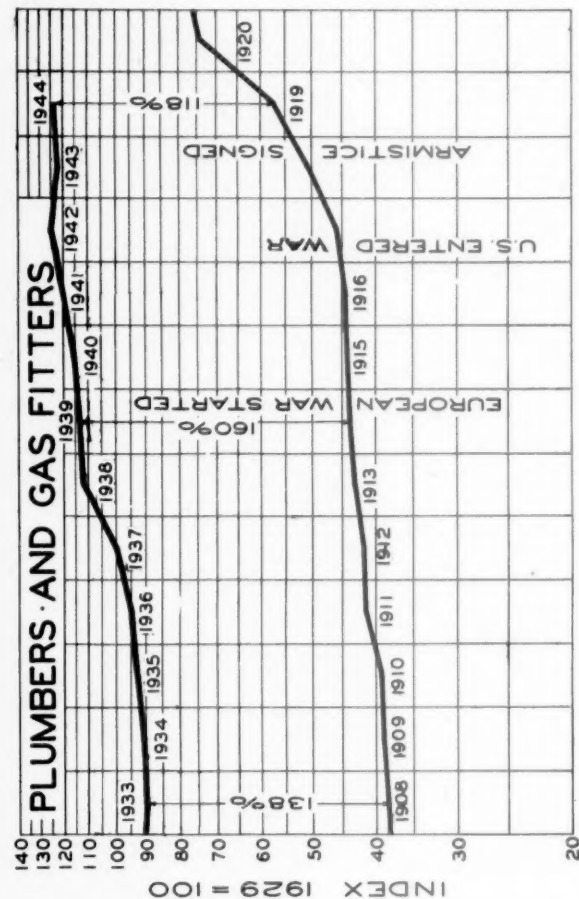
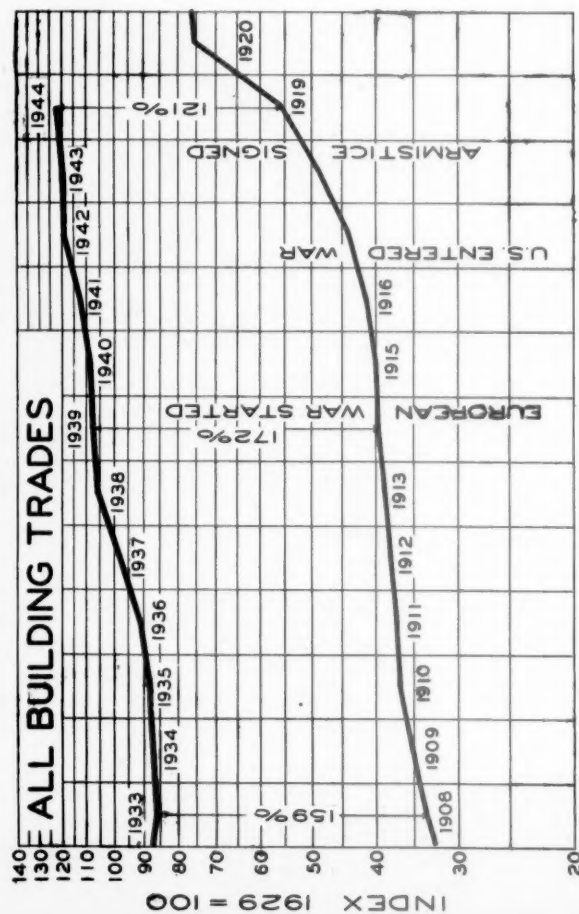
The owners of real estate are receiving in rent, according to this chart, 14.6 percent less than they did in the average of the eighteen-year period. On the other hand, the average renter is paying 1.5 percent more for fuel and light, 19.8 percent more for food, 21.2 percent more for the miscellaneous items that go into the budget, 28.9 percent more for clothing, and 40.2 percent more for house furnishings. All of the elements which enter into the cost of living are now 16.0 percent above the eighteen-year average.

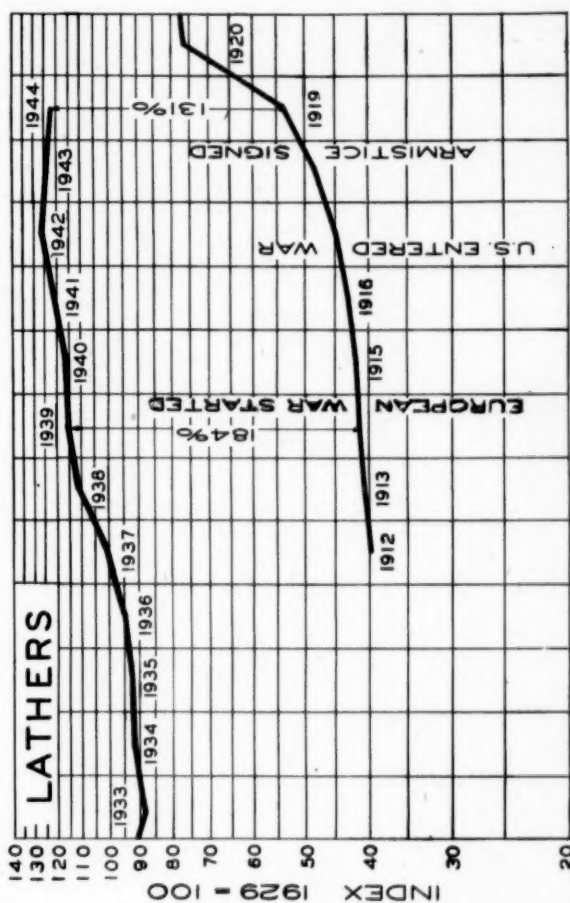
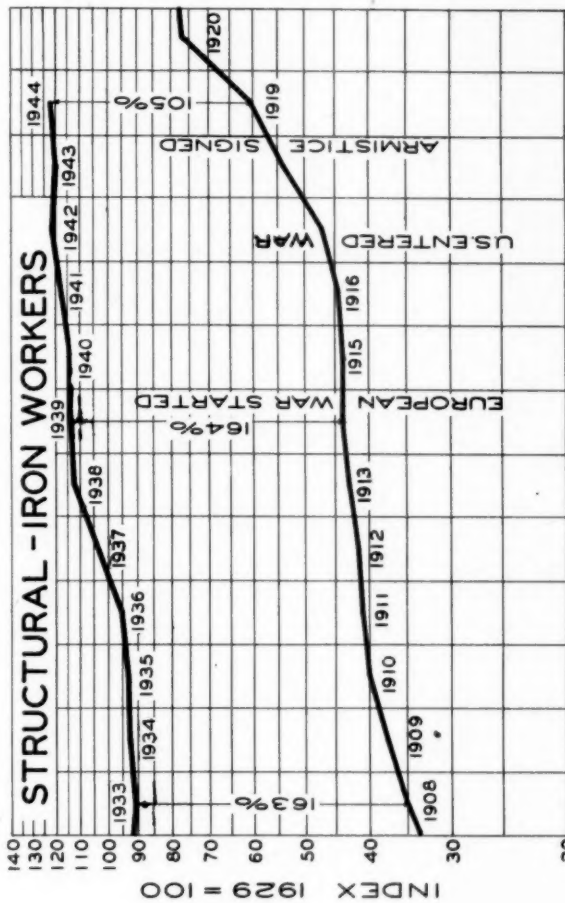
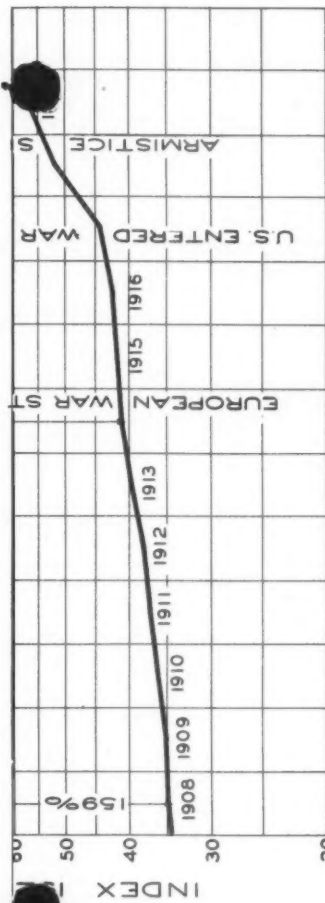
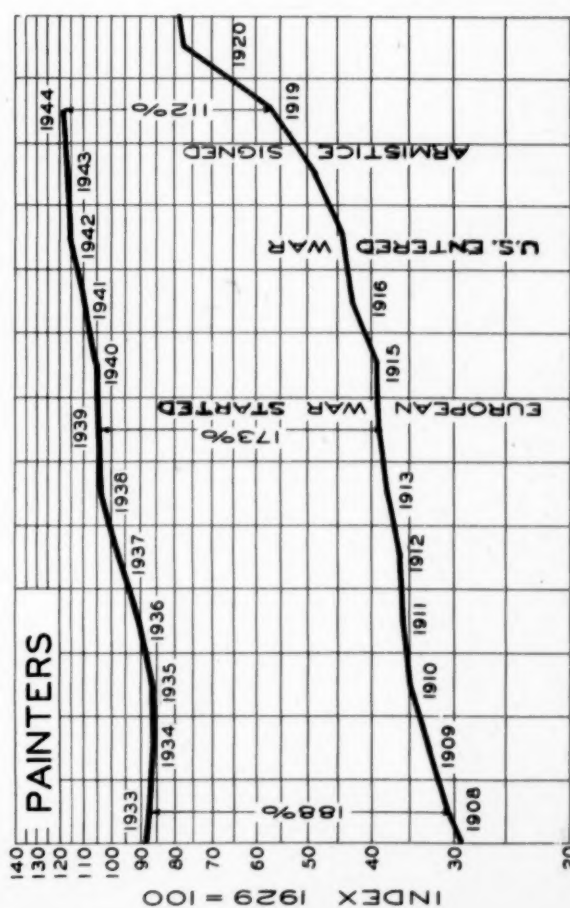
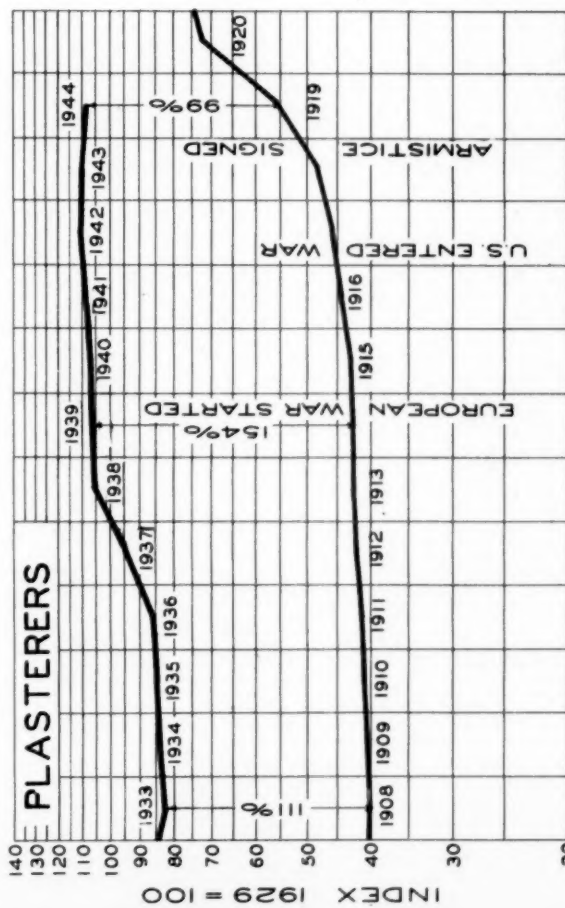
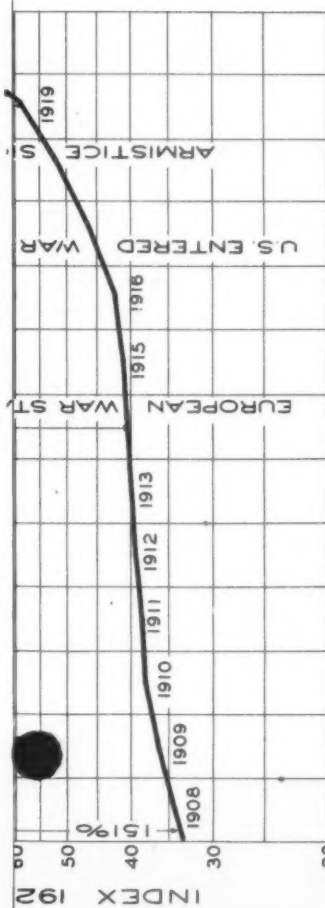
Many persons in middle class circumstances have invested their lifetime savings into residential buildings, with the idea of providing a retirement income. The chart below shows the purchasing power of rent and of wages over the period from 1913 to 1945. This chart shows that the purchasing power of rents has followed an erratic course, dropping most of the time since 1932. The purchasing power of wages is now 46.0 percent above the eighteen-year average, while the purchasing power of rents is 26.4 percent below the eighteen year average. Labor is clamoring for increases, but real estate owners are considered unpatriotic if they disagree with arbitrary rent control policies.

The tenant is on the average receiving wages 70 percent higher than he averaged in the eighteen-year base period. Under these circumstances there is no logical reason why he should expect the Federal government to wield a club over the property owner to force the owner to rent housing accommodations 14.6 percent below the average rents in the same eighteen-year base period.



# WAGE RATES OF THE BUILDING TRADES



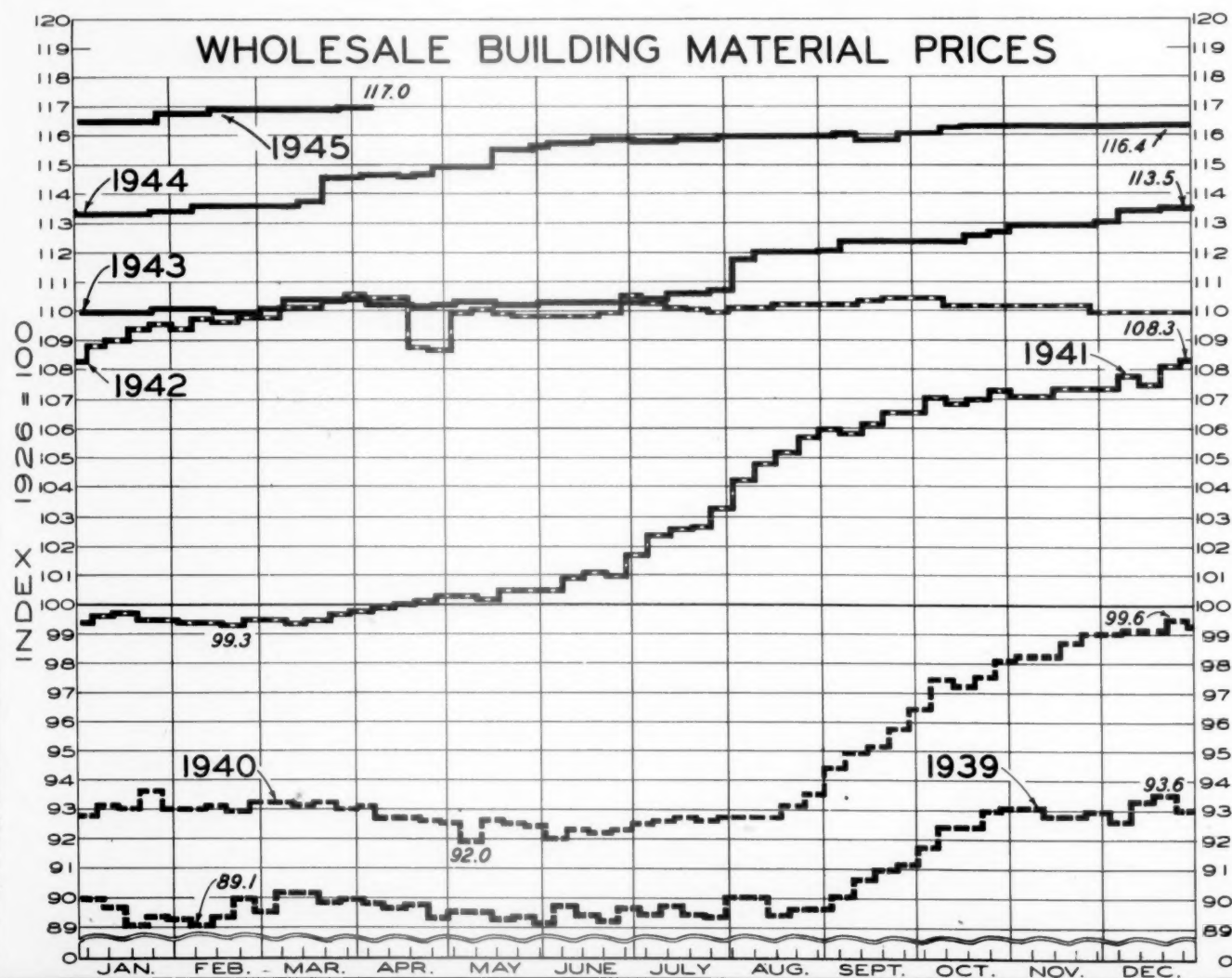


## DWELLING UNITS CONSTRUCTED IN 48 STATES

THE number of new family accommodations built in all nonfarm communities of the 48 States and the District of Columbia is shown in the table below. Cumulative totals and twelve month moving totals are shown in blue for 1942 and 1944 and in red for 1943 and 1945.

### THOUSANDS OF UNITS

	MONTHLY				CUMULATIVE				12 MONTH MOVING TOTAL			
	1942	1943	1944	1945	1942	1943	1944	1945	1942	1943	1944	1945
JANUARY	34.5	45.0	17.3	7.4	34.5	45.0	17.3	7.4	708.5	507.1	323.2	159.1
FEBRUARY	51.3	40.1	14.1	7.9	85.8	85.1	31.4	15.3	716.1	495.9	297.2	152.9
MARCH	52.7	33.1	17.5		138.5	118.2	48.9		708.6	476.3	281.6	
APRIL	59.7	26.7	13.7		198.2	144.9	62.6		693.1	443.3	268.6	
MAY	60.6	33.6	16.4		258.8	178.5	79.0		683.0	416.3	251.4	
JUNE	46.3	21.7	18.2		305.1	200.2	97.2		652.1	391.7	247.9	
JULY	26.7	24.2	14.3		331.8	224.4	111.5		604.2	389.2	238.0	
AUGUST	27.5	27.9	13.1		359.3	252.3	124.6		561.9	389.6	223.2	
SEPTEMBER	40.4	24.2	11.2		399.7	276.5	135.8		535.3	373.4	210.2	
OCTOBER	32.2	28.6	10.8		431.9	305.1	146.6		511.3	369.8	192.4	
NOVEMBER	30.4	25.8	11.6		462.3	330.9	158.2		495.1	365.2	178.2	
DECEMBER	34.3	20.0	10.8		496.6	350.9	169.0		496.6	350.9	169.0	





# EXECUTIVE DIGEST

## OF THE CURRENT REAL ESTATE ANALYST REPORTS

APRIL  
1945

ROY WENZLICK & CO.

*Real Estate Economists, Appraisers and Counselors*

Roy Wenzlick  
Editor

VOLUME XIV

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### REAL ESTATE ACTIVITY

Real estate sales in urban communities of the United States in the month of March reached a new peak at 52.3 percent above the long-term average. This compares with a final figure of 47.2 percent above in February and 45.5 percent in January. In March of 1944 our index was 32.4 percent above the long-term computed normal.

It seems that the slight slackening in war production has eased the housing shortage in some communities to the point where persons formerly unwilling to list their homes for sale now feel that they can take the chance. The chart appearing this month in the 'Real Estate Analyst' shows that residential vacancy on the average throughout the United States has increased from a low point of 2.3 to 2.5 percent at the present time. If vacancy increases very slowly, there will be a possibility that urban sales will increase still further. If, however, a readjustment period should be more drastic than we now anticipate and should vacancy increase rapidly, there will be a tendency for urban sales to decrease.

### FARM ACTIVITY

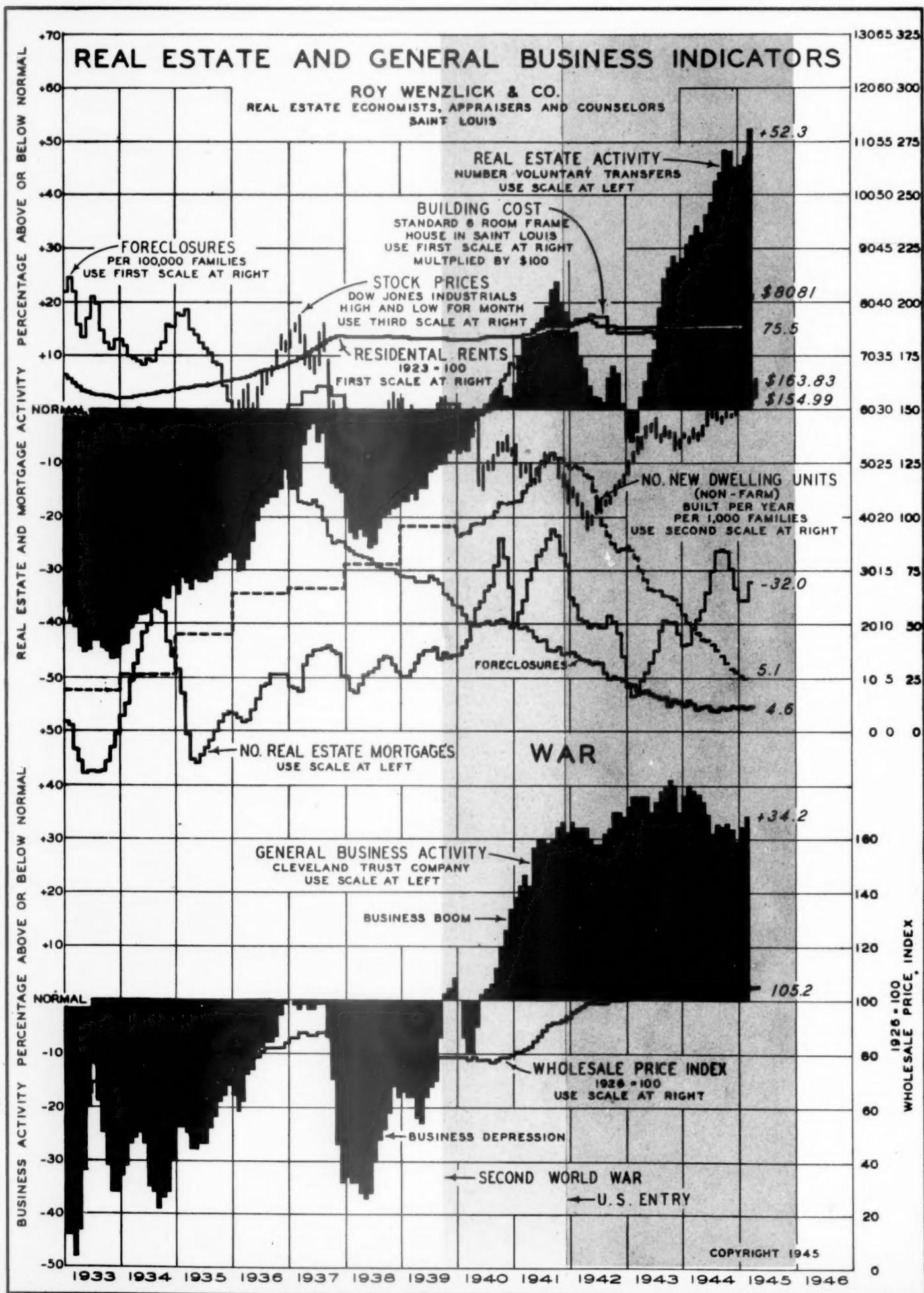
On page 121 in this report we have shown four charts dealing with the farm situation. It is our opinion that while farms may increase still further in dollars, particularly if we get a high degree of inflation, in relationship to the general price level their rise is about over. Farms will reach a long-term peak not more than two years after the end of the war in Europe, followed by a long period in which the trend will be down.

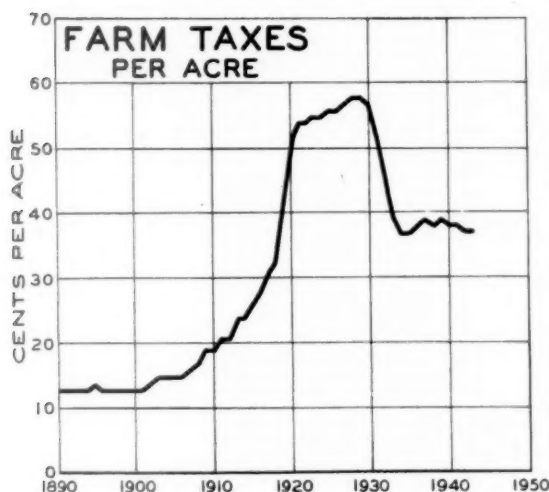
### REAL ESTATE MORTGAGES

In view of the very limited amount of building, mortgage activity is holding up unusually well. Our index in March advanced above the January and February levels, until now it is 32.0 percent below the long-term computed normal. This compares with 35.4 percent below in January and February, and with 41.2 percent below last March. March of 1943 was more than 52 percent below the long-term period. March this year, by the way, was the highest March since 1931.

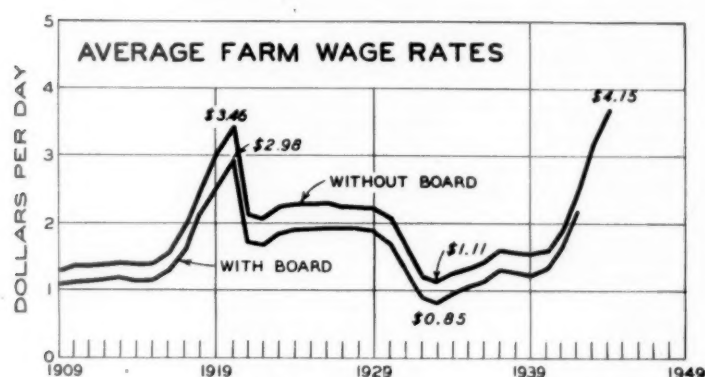
### RESIDENTIAL BUILDING

The number of nonfarm dwelling units built in relationship to the number of families is continuing at an almost negligible figure, as the scarcity of materials is limiting the volume of building. The end of the war in Europe will bring only slight relief to builders as lumber will continue to be exceedingly scarce during all of 1945.

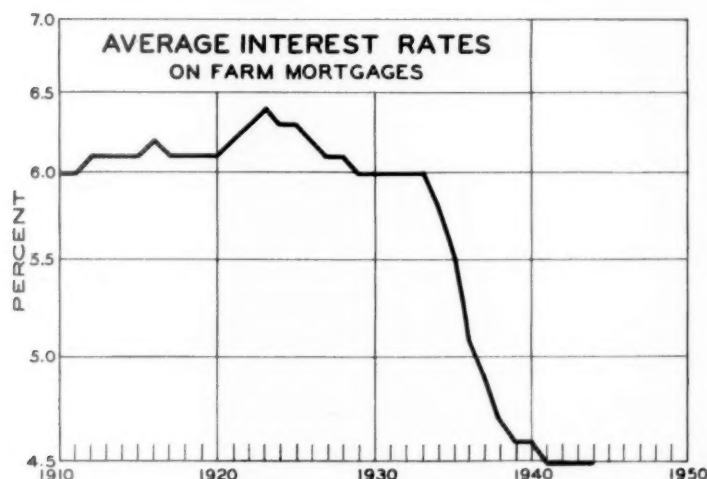




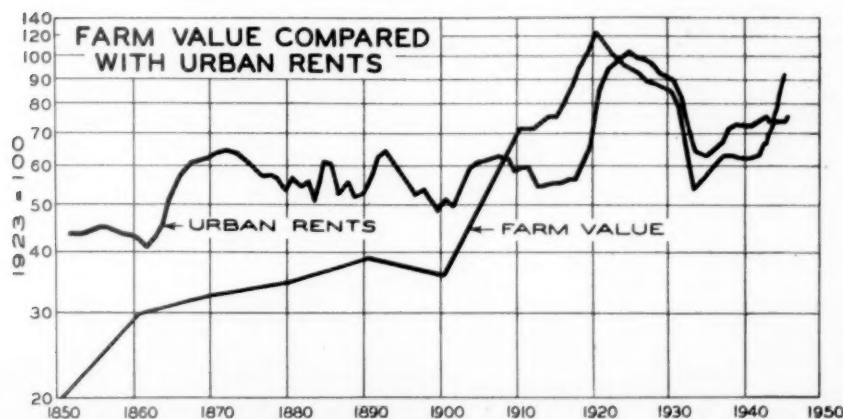
THE chart to the left shows the average tax per acre in cents for all farms in the United States. These figures are accumulated by the Department of Agriculture. They include the taxes on all farm buildings. The increase in taxes from 1901 to 1929 was quite rapid, but the greater part of the rise occurred during the period of rising farm prices from 1910 to 1920. After 1920 farm values dropped, but taxes continued upward for another nine years. The drop after 1930 was brought about by the depression.



THE chart to the left shows that at the present time average farm wage rates without board are three and three-quarter times the rate at the bottom of the depression. They are now 20 percent above the previous peak in 1920. Figures are not available since 1942 with board included.



THE average interest rates on farm mortgages reached their highest point in the early twenties at 6.4 percent. No great drop was experienced, however, in rates until the bottom of the depression, but from 1933 on rates dropped very rapidly, reaching a low in 1941 of  $4\frac{1}{2}$  percent. It seems to us that farm mortgage interest rates will not decline further.



A comparison of farm values is shown with urban rents. Urban rents have been frozen during the last few years, which accounts for the sideways movement while the values of farms have continued upward. In spite of freezing, urban real estate values have increased in much the same fashion as farms.

#### BUILDING COSTS

The six-room standard frame residence built in St. Louis which is used as a guinea pig could be built on April 27, 1945, for \$8081. This figure has not changed since the fifteenth of February. It is 80½ percent above the depression low and 36.4 percent above the cost at the time that the present war started in Europe.

#### FORECLOSURES

The foreclosure rate based on all principal cities of the United States has risen by a very small amount since the first of the year. Foreclosures are now averaging 4.6 per year per 100,000 families. This is two-tenths higher than the average in February.

#### RENTS

Residential rents have shown no change so far this year and are running at the level which they established in December of last year. This is microscopically higher than the figures of a year ago due to a very small number of adjustments. At the present time our index is 75.5, while a year ago this index was running 75.4.

If residential vacancy as charted in the current issue of the Real Estate Analyst continues to increase, we would strongly urge that efforts be made in each community to have rent control thrown out in that community, as the best time to get rid of rent control is when residential vacancy is increasing.

Commercial rents are rising slightly in most cities but experimental checks have shown that on the average these increases are not large. An experimental check in St. Louis of 219 retail locations showed that if 1941 is considered 100, in 1942 rents would have been 99.8, in 1943 - 99.5, in 1944 - 99.6, with a present level of 102.2. This would indicate that retail rents in St. Louis at the present time are averaging 2.2 percent above their level in 1941. It is, of course, apparent that all of the increase has come in the very recent past, and this has been the experience in most cities.

#### BUSINESS ACTIVITY

Business activity in February showed an increase over January due to the setback in Europe, with increased government orders. March is showing a slight drop, and in April the drop is becoming more pronounced. Manufacturing employment in some extreme war cities has already dropped by sizable amounts, and in practically all cities manufacturing employment is now running below the levels of a year ago.

Business will drop further as reconversion cuts become deeper and more general, but we do not anticipate any real collapse in business in the relatively near future.

#### STOCK MARKET

While we realize that the market has advanced to new highs during the past week, which intensifies the possibility of a reaction to lower levels, we believe that the amount of money seeking investment in the United States is so great that any large drop is improbable, and that higher prices for the long pull can be expected.



# APPRAISAL BULLETIN

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## LOCATIONAL ADVANTAGES

It was natural in the early development of all urban CENTRAL BUSINESS DISTRICTS for people to concentrate into small areas in order to carry on their business and social activities. This was not done from choice or because land speculators compelled them to do so, but primarily because limited transportation facilities confined the population within a reasonably convenient distance from places of employment, shopping districts and other social activities, which, for the vast majority, meant within walking distance. In early days, this congestion necessitated narrow streets and narrow lots, improved with high land coverage of the multiple-story tenement type of residential properties. Those families with their own horse transportation lived in single dwellings on the outskirts of the congested districts.

The pattern of later city development was along and adjoining horse-drawn street car routes which were then located in those sections without excessive grades that would act as barriers to successful operation. These routes all led to the central section in which the seat of municipal government, banks, business and professional offices, and the principal retail stores, including a central market place, were located for the convenience of the entire population. Central business districts gain their high land values from locational advantages because people find it advantageous and convenient to conduct their business activities in these districts.

The land owner or merchant is unable to fix or control the more intense use in these business districts but rather must follow the shopping habits of the people who enter it. There are no inherent or indestructible locations and values per se, although shopping habits remain fairly stable for long, but limited, periods of time. This has misled many an owner and lessee to make long-term leases with a feeling of complacency that the locational advantage at the time was permanent and secure.

Shopping habits as represented by the streams of pedestrian traffic indicate only a possible or potential purchasing power for the location which it passes. Any volume count of this traffic is quite useless, unless an analysis of the sex, race, type, economic status, movement and purpose of the traffic is also made. Only from such a classification can the probable potential purchasing power of the traffic be measured.

SHOPPING HABITS

We have made thousands of pedestrian traffic studies in St. Louis and other large cities to determine the location advantages for different types of merchandise. While observation alone must determine the breakdown into

classes, it is surprising how accurately and rapidly an experienced checker can classify traffic from appearance. It is possible to separate women with reasonable accuracy into the family shopper who visits the district to shop and who purchases for herself, her family and her household, and the individual shopper who generally works in the district and purchases for herself alone. These two classes of women traffic have distinct patterns of entering and leaving the district and when they provide their maximum influence in the traffic stream. The former enters the district about 10:00 A.M., reaches a peak between 1:30 to 3:30 P.M., and leaves the district at 4:00 P.M.; the latter enters the district going to work between 8:00 A.M. and 9:00 A.M., reaches a peak during the noon hour, leaves the district for home between 5:00 P.M. and 6:00 P.M., and does not appear in the traffic stream in the interim periods.

Any desired classification of both men and women can be made by a competent checker provided it can be done by the appearances of the persons passing. The great differences in both volume, type and quality of pedestrian traffic in adjacent blocks or on opposite sides of the same block or lane traffic to and from transportation stops represent definite patterns of shopping habits which are alike in principle but distinctive for each city.

The patterns of pedestrian traffic are formed by mass transportation routes and transportation stops, transfer intersections, the continuity of retail uses and, especially, by large department stores. Skyscraper office buildings are seldom a help and sometimes detrimental to shopping districts. Banks, public buildings, parks, etc., are incongruous and incompatible uses and tend to destroy harmonious shopping sections because they tend to prevent the advantages and conveniences of shopping. In most large cities there is a distinct separation of incongruous uses. The financial districts and civic centers are generally located entirely outside of the intense shopping areas. While analytical traffic studies are of great value, they are not a substitute for the knowledge and experience of the leasing expert who is able to use such information to greatest advantage.

#### ECONOMIC RENT

The theories of Ricardo and von Thünen concerning "economic rent" of agricultural land apply with equal force to urban locations. Economic rent of urban properties can be defined as that portion of the return to the land due to locational advantages. It depends on the difference in the net obtainable from the most intensive use of the best and the poorest sites which must be used. With residential properties the locational advantage is relatively slight with only a small differential between the best and poorest locations. Before rapid transportation there were greater locational advantages due to an increasing scarcity of available sites; since the great expansion and rapidity of transportation facilities, the locational advantages have been greatly minimized.

Likewise, the great locational advantages of many industrial sites when water was the primary transportation, were greatly reduced with the advent of the railroad and further leveled when the truck became an important transportation medium. Except in active port cities, riparian rights as a locational advantage have almost disappeared and for those industries where trackage is of minor importance, large tracts of undeveloped land have become available for industrial use.

Retail outlets are the principal type of urban properties where locational advantages and the economic rent thereby created exist to a high degree. In central business districts and outlying buying centers, the retail stores or establishments closest to the largest volume of purchasing power from the passing pedestrian traffic are considered the best or 100 per cent locations. Other locations within such districts vary from the best to the poorest which must be used for distribution within the district. Some locations become 100 per cent locations for a particular class of merchandise because the composition of passing traffic contains the largest purchasing power for such merchandise; however, the department store which distributes all types of merchandise of average quality is best suited for the sites with greatest locational advantages.

The locations with the greatest locational advantages would warrant the greatest expenditures of capital and labor to develop their full productivity and create their full economic rent and land values. The enterprise itself must expend capital and labor on its shopping space to provide the greatest advantages and conveniences to the shoppers, must provide the highest ability in merchandising and management and must expend for advertising such sums of money so long as they continue to produce a profitable return. Only by developing full productivity can the advantages of location be developed to the full use of the land and create the highest economic rent applicable to the land.

It is not because of great advertising expenditures that the greatest locational advantages are created but actually the reverse is true - that only those locations favored with the greatest locational advantages can afford the greatest amount of advertising. It is evident that the poorest or marginal locations cannot afford to advertise in sufficient amount to change shopping habits and pull purchasing power to locations without locational advantages. In fact, the cost of the advertising necessary to pull purchasing power from the active side of the street to the less active side would not produce profitable sales increase.

It is generally agreed among economists that the taxes on land values created from economic rent cannot be passed on to the consumer like other taxes, but must be borne entirely by the landlord because economic rent does not enter into the cost of production or into the price to the consumer.

The part played by rapid transportation in its decentralizing effects is well recognized by most appraisers. As early as 1914, Friedrich von Wieser, one of the leading economists of the Austrian school, in his book The Theory of Social Economics stated: "The most effective means of depressing rents is the multiplication and improvement of urban transportation facilities for these greatly enlarge the available sections." This applies to residential, industrial and commercial uses.

During the past thirty years the tremendous pull of these sections of land made available in the environs of all metropolitan cities by the multiplication and improvement of rapid transportation, has developed the environs, leaving the inner city in a declining and decaying condition. The abundance of cheaper land in the environs for every type of use is hard competition for the high valued land in the older congested sections of the inner city.

One of the developments of this rapid transit age is the individual auto-

mobile shopper who comprises an increasing percentage of the total shoppers in most urban centers. The problem of providing facilities so this individual can shop with advantage and convenience is revolutionizing former standards of merchandising procedure. In central business districts the streets are relatively narrow and congested with mass transportation facilities, trucks and other motor traffic and curb parking; there are few close-by parking facilities at low cost so this type of shopper can get into the pedestrian traffic streams with convenience in order to shop. Besides these obstacles to convenient shopping, there are the inconvenience and delays of traveling over congested arterial trafficways to and from the central business district. Most downtown districts have failed to provide a terminus for the automobile shoppers' transportation at low cost.

The problem of inadequate parking space is critical in the outmoded buying centers of every metropolitan city. Designed on the pattern of the downtown districts before the necessities of the automobile were known, all retail and service stores in subcenters are handicapped by the lack of parking space. Banks, theaters, bowling alleys, or other similar enterprises find inadequate parking space a great drawback.

The trend toward drive-in retail outlets is getting stronger. Drive-in food markets have been successfully operated for many years. Generally these markets are planned to serve a community, although in some instances large food marts are planned on such an immense scale that they must pull from a large territory.

Sears-Roebuck has pioneered very successfully in drive-in department stores in all of the larger cities. Recently the largest department store in downtown St. Louis announced the purchase of three outlying sites to be improved with three large branch stores of the drive-in type as soon as construction is permitted in the post-war period. These sites were selected two to three miles apart. None of them are located in established buying centers and they are without any passing pedestrian traffic, although all of them are accessible to a large population from which to draw their shoppers. Apparently dependence for the successful operation of these stores is placed upon the good will and city-wide appeal of the enterprise and upon the amount of advertising done by it, and not upon any locational advantages of the stores themselves. This is indicated by the fact that the Sears-Roebuck locations did not enhance permanently values of surrounding properties nor did they create buying centers in their localities. The same success could have been made on many other locations. This would indicate that the customary contract rent based upon a percentage of sales would not be a correct basis of estimating real estate values of these sites. Without locational advantages, there would be no economic rent applicable to the land in this type of location and occupancy, and any return from good will and advertising should be credited to the enterprise. High land values are based upon locational advantages which are developed to their highest productivity.

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# APPRAISAL BULLETIN

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## A TERMINUS FOR THE AUTOMOBILE SHOPPER

IN Appraisal Bulletin #22 the increasing inaccessibility of central business districts was briefly discussed. The central business districts of practically all metropolitan cities were laid out before the advent of rapid transportation. Generally the streets were narrow and the land was improved with high land coverage and costly buildings. The concentration of land use with high land values was natural at the time because such a development provided greater convenience to those working and shopping within the central business district at the time of limited transportation facilities.

The downtown district in early days was an ample terminus for workers and shoppers in the district. A large percentage of this daytime population could walk to the district; large numbers entered the district by horse-drawn street cars from the residential developments along such car lines. From a study of these early car line routes it is of interest to note that they were along such streets which had only minor grades, as it was impossible to operate on heavy grades. In some of the large cities before the advent of the electric lines cable cars were used on the steeper grades.

The horse and buggy shopper who drove to the downtown district to shop was only a small percentage of the total shoppers entering the district. Ownership of private transportation was confined to the wealthier class of the population. There was no long-term financing for the horse and buggy in those early days and the attitude of the vast majority of people was to live within their means and not to contract their future income for the conveniences of the present at that time.

With the coming of electric car lines and buses for mass transportation and the automobile for individual transportation, residential development could be spread to cheaper unimproved land in the outlying districts at increasingly greater distances from the central business district. This is a natural development of rapid transportation and a decentralizing influence which is now presenting serious problems in all urban centers.

While arterial trafficways have been built to facilitate rapid movement to the downtown district, there has been very little done in most cities to make the downtown district a terminus for the automobile shopper. The problem to provide convenient and economical parking facilities has not been adequately solved if it is possible of solution. That the automobile before the war was becoming an increasing transportation medium was quite apparent. From surveys made in St. Louis, the means by which persons enter the downtown district are indicated by the following counts:

Year	Street Car	Bus	Service Cars	Total Mass Transportation	Autos	%	Total
1916	149,171	-	-	149,171	30,666	17	179,838
1926	157,768	17,616	-	175,384	96,953	36	272,337
1930	114,524	15,277	-	129,801	103,334	44	233,135
1937	70,155	30,968	13,227	114,350	119,479	51	233,829

It will be noticed that the percentage of persons entering by automobile, which was 17 percent in 1916, increased to 51 percent by 1937. This means that less than half of all persons entering the district used street cars, buses and service cars. A similar condition exists with all metropolitan cities which are served by surface transportation facilities. It seems quite probable that the percentage entering by automobile will increase in the post-war period.

Most cities have attempted to relieve this increasing traffic and parking load by directing traffic, changing traffic flows, limiting on-street parking, etc., and many parking lots have sprung up adjoining the active downtown district. However, because of costly improvements it has been impossible for most cities to change the old downtown street pattern in order to make the downtown district an adequate terminus for the automobile shopper. Many retail enterprises, especially department stores and women's specialty stores, which generally are located close to the 100 per cent pedestrian traffic locations, find that their locations are poor from the standpoint of the modern automobile shopper; in fact, their stores are so inconveniently located that they are effectively isolated from this type of shopper who is becoming increasingly important to their continued successful operations.

Finding no possibility of remedy within the downtown district, many of these stores are seeking locations outside such districts for branch stores in order to accommodate the shopping needs of the modern automobile shopper. The location of a branch department store is a new and untested field because there is no background of experience to draw upon and no actual checks which can be made at the location such as the established pedestrian traffic checks in downtown and old-style outlying buying centers. A tendency seems to be developing toward the location of branch stores of a department store type not only outside of existing outlying buying centers but many blocks away, often as much as a mile distant.

This lone wolf idea stems from the belief that the department store is a buying center in itself; it is a unity or merger of many separate stores covering practically most retail lines of merchandise, and the prestige, good will and large advertising expenditures provide a sufficient drawing power to pull customers from its logical buying area. This belief has been justified in many instances and such stores, isolated insofar as pedestrian traffic is concerned, have proved highly profitable. Sears-Roebuck & Co. was a pioneer in this type of development, and other branch department stores have proved successful although the uses in the locality have remained incompatible.

It is the function of the appraiser to study land uses and all of the influences of location which affect land values. In the case of the drive-in department store the most advantageous location is not generally indicated by an examination of the site and the surrounding neighborhood uses but only after a study and analysis of a large area which has an effect on the location under study. We have recently completed several analyses in order to deter-

mine suitable locations for outlying branch department stores of the drive-in type and have attempted to develop a uniform procedure and the underlying principles involved.

#### LOCATION

The location must be conveniently accessible to an ample buying area. It must be on a major arterial trafficway and preferably at the intersection of two major trafficways. The availability of mass transportation at the location depends to a great extent on the quality of merchandise to be sold. If below average in quality then mass transportation should be available for the nonautomobile shoppers. The ingress and egress from the location by automobile should be convenient and unhampered and locations on traffic-congested streets should be avoided as the accessibility of the location to the automobile shopper is a primary consideration.

The existing uses at and surrounding the location are unimportant in its selection so far as the general accessibility is concerned, although the type and value of existing improvements may be the controlling factor in making it unavailable.

#### BUYING AREA

The size of the buying area for a particular location depends upon the convenience with which the automobile shopper and also the mass transportation shopper can reach the location. While the convenience of parking and shopping after arriving at the location is a major factor, the factor of time and convenience of getting to and from the location is also a controlling influence. In our studies we have used more or less arbitrarily a time limit of 15 minutes by automobile and have outlined the buying area on this basis. On account of major trafficways and traffic congestion and other barriers to traffic flow the area will be quite irregular in shape. To figure the area limits on mileage alone may give misleading results, and occasional test runs should be made in order to check mileage calculations.

The number of families, their economic status and the amount of department store expendable income can be determined with a reasonable degree of accuracy. Census data and information on family expenditures form the basis upon which the potential purchasing power of the area can be calculated. The degree of accuracy with which the estimates are made depends upon experience and the care used in making assumptions and calculations. (When the buying area so calculated overlaps a buying area of a competing store or buying area, the effect must be estimated and the area adjusted accordingly.)

It is necessary from the information obtained to decide whether the buying center is ample in purchasing power to create the desired volume of business in the proposed drive-in department store or to determine what is the potential volume of business which can be reasonably expected and also to indicate what quality of merchandise would prove most profitable.

#### DEPARTMENT STORE PLANT

The modern drive-in department store is designed primarily for the convenience of the automobile shopper, although when there is a large population within walking distance or when a substantial part of the shoppers use mass transportation, the convenience of accessibility for these pedestrians must be provided. There is some disagreement as to the best layout for a branch store property. One group advocates that the store proper be placed on the front